



UNEMPLOYMENT INSURANCE FUND ANNUAL REPORT

2017/18



labour

Department:
Labour
REPUBLIC OF SOUTH AFRICA



Minister of Labour



It is my privilege to submit to you the Annual Report on the activities of the Unemployment Insurance Fund (UIF) for the year ended 31 March 2018. As required by section 11(3) of the Unemployment Insurance Act (UIA), 63 of 2001, the report includes the statement of financial position and the Statement of Financial Performance for the year ended 31 March 2018. It also contains the Auditor-General's report in terms of the Public Finance Management Act (PMFA), No. 1 of 1999.

A handwritten signature in black ink, appearing to read 'MN Oliphant'.

Minister, MN Oliphant, MP

UIF Board Members



Mr Teboho Maruping
(UIF Commissioner)



Mr Welcome Nzimande
(UIF Board Chairperson)



Ms Deirdre Botha
(Acting Audit Committee Chairperson)



Mr Jan Mahlangu
(Investment Committee Chairperson)



Mr Thulani Tshefuta
(Labour Activation Programmes
Committee Chairperson)



Mr Mondi Mchunu
(Financial Advisory
Committee Chairperson)



Adv Msuthu Matshani



Mr Tony Franks



Adv Eric Nwedo



Ms Laura Kganyago



Mr David Maphotho



Mr Dumisani Mthlane

Table of Contents



PART A: GENERAL INFORMATION.....	8
1. GENERAL INFORMATION.....	9
2. LIST OF ABBREVIATIONS.....	10
3. FOREWORD BY THE ACCOUNTING AUTHORITY.....	11
4. UNEMPLOYMENT INSURANCE COMMISSIONER'S STATEMENT.....	13
5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT.....	17
6. STRATEGIC OVERVIEW.....	18
7. LEGISLATIVE AND OTHER MANDATES.....	19
8. ORGANISATIONAL STRUCTURE.....	20
 PART B: PERFORMANCE INFORMATION.....	 22
1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES.....	23
2. SITUATIONAL ANALYSIS.....	23
2.1 SERVICE DELIVERY ENVIRONMENT.....	23
2.2 ORGANISATIONAL ENVIRONMENT.....	28
2.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES.....	28
2.4 STRATEGIC OUTCOME ORIENTED GOALS.....	29
3. PERFORMANCE INFORMATION BY PROGRAMME/ACTIVITY/OBJECTIVE.....	30
3.1 OFFICE OF THE COMMISSIONER.....	30
3.2 PROGRAMME 2: BUSINESS OPERATIONS.....	30
4. STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS.....	31
5. STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE.....	36
6. ANNEXURE A.....	37
7. SUMMARY OF FINANCIAL INFORMATION.....	43
8. OFFICIAL SIGN-OFF.....	48
 PART C: GOVERNANCE.....	 49
1. GOVERNANCE.....	50
2. RISK MANAGEMENT.....	61
3. INTERNAL CONTROL UNIT.....	70

PART D: HUMAN RESOURCE MANAGEMENT.....74

1. INTRODUCTION.....	75
2. THE KEY STRATEGIC HUMAN RESOURCE PRIORITIES... ..	75
3. KEY CHALLENGES.....	77
4. KEY STRATEGIC FOCUS FOR 2018/19.....	77
5. HUMAN RESOURCE OVERSIGHT STATISTICS.....	77

PART E: REPORT ON BUSINESS OPERATIONS AND OTHER SUPPORT SERVICES.....82

1. BUSINESS OPERATIONS.....	83
2. UIF ACCESS POINTS.....	84
3. BUSINESS OPERATIONS PERFORMANCE HIGHLIGHTS.....	85
4. CLAIMS PROCESSING.....	87
5. COMMUNICATIONS AND MARKETING.....	89
6. LABOUR ACTIVATION PROGRAMMES.....	90
7. LAP ACHIEVEMENTS 2017/18.....	92
8. OFFICIAL SIGN-OFF.....	96

PART F: FINANCIAL INFORMATION.....97

1. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE UNEMPLOYMENT INSURANCE FUND (UIF).....	99
2. ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL.....	103
3. UNEMPLOYMENT INSURANCE COMMISSIONER'S REPORT.....	104
4. STATEMENT OF FINANCIAL POSITION.....	110
5. STATEMENT OF CHANGES IN NET ASSETS.....	111
6. CASH FLOW STATEMENT.....	112
7. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	113
8. ACCOUNTING POLICIES.....	114
9. NOTES TO THE ANNUAL FINANCIAL STATEMENTS.....	133

PART A | GENERAL INFORMATION



1. GENERAL INFORMATION

Registered Name:	Unemployment Insurance Fund
Registration Number (if applicable):	Schedule 3 A public entity, established in terms of Section 4 (1) of the Unemployment Insurance Act, 63 of 2001 as amended
Physical Address:	230 Lillian Ngoyi Street Pretoria 0002
Postal Address:	UIF Pretoria
Telephone Number/s:	(012) 337 1700
Toll free Number:	(0800) 843 843
Call Centre:	(012) 337 1680
Email Addresses:	www.labour.gov.za www.ufiling.co.za
External Auditors:	Auditor General of South Africa, 300 Middel Street, New Muckleneuk, 0181
Bankers:	First National Bank, 6th Floor , 1st Place Bank City, Cnr Simmonds & Pritchard Streets, Johannesburg, 2001 ABSA Bank, ABSA Towers, 15 Troy Street, Johannesburg, 2001 Standard Bank, 9th Floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg, 2001 Nedbank, 135 Rivonia Road, Sandown, 2196

2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor General of South Africa
B-BBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DG	Director-General
DPSA	Department of Public Service and Administration
DOL	Department of Labour
ERP	Enterprise Resource Planning
ITA	Income Tax Act
MEC	Member of Executive Council
MOU	Memorandum of Understanding
MP	Member of Parliament
MTEF	Medium Term Expenditure Framework
PIC	Public Investment Corporation
PFMA	Public Finance Management Act
SACCI	South African Chamber of Commerce and Industry
SARS	South African Revenue Service
SCM	Supply Chain Management
SMME	Small Medium and Micro Enterprises
TR	Treasury Regulations
UIA	Unemployment Insurance Act
UIC	Unemployment Insurance Commissioner
UICA	Unemployment Insurance Contributions Act
UIF	Unemployment Insurance Fund
UIFB	Unemployment Insurance Fund Board

3. FOREWORD BY THE ACCOUNTING AUTHORITY



Introduction

The Constitution of South Africa provides that everyone has the right to have access to social security including, appropriate social assistance for those who are unable to support themselves and their dependents. Therefore, the Unemployment Insurance Fund is one of the social security agencies whose mandate is to provide social security to its contributors in line with section 27 (1) (2) of the constitution which states that "everyone has the right to social security".

To give effect to the supreme law of the country, the Unemployment Insurance Act, 63 of 2001 (as amended) was enacted to establish the Unemployment Insurance Fund (UIF) whose primary mandate is to register employers and employees in South Africa and pay unemployment benefits to all those who qualify.

In pursuing its mandate, UIF develops the strategy and annual performance plan that outline deliverables to be achieved throughout the year.

Overview of the UIF's Strategy and Performance

The UIF has identified four strategic outcome-oriented goals to pursue over five years (2017/18 to 2021/22), and these are:

- Improve payment of benefits to UIF beneficiaries;
- Improve revenue collection from employers;
- Participate in government initiatives to create and sustain decent employment;
- Effective administration of the Fund's operations.

In the year under review the strategic objectives of the Fund were reviewed to give a more strategic focus, consequently the following strategic objectives were identified:

- Improve financial management;
- Improve service delivery;
- Improve compliance to Unemployment Insurance Act; and
- Fund poverty alleviation schemes.

UIF recognizes that to achieve its objectives it must develop performance measures for each financial year and constantly monitor and evaluate its performance. In the 2017/18 financial year, there were 12 performance targets to be pursued by UIF.

The UIF achieved 7 of the 12 giving it a performance of 58 %. Those that were not achieved still reflected an improvement from the levels achieved in the previous year.

The core business of UIF is to register employers and employees and pay benefits to qualifying beneficiaries. It is essential that claims for benefits are paid within the shortest time possible in order to relieve unemployed UIF contributors from financial constraints.


To achieve this UIF has reduced the claim processing time for all benefits types. Previously the Fund finalised claims for ordinary benefits within 30 working days, and in the year under review 85% of claims received were processed and finalized within 20 working days.

The Fund manages one of the key strategic interventions of the Department that is aimed at re-integrating unemployed UIF contributors back to the labour market. Therefore UIF, through the Labour Activation Programmes (LAP) trains and reskill unemployed UIF contributors in partnership with Sector Education and Training Authorities, Technical and Vocational Education and Training colleges and Universities. During the year under review 6 586 UIF beneficiaries participated in various labor activation programmes and in the next financial year we aim to reach 450 000 UIF beneficiaries.

STRATEGIC RELATIONSHIPS

The UIF discharges its mandate in collaboration with other state institutions and government departments, and it works closely employers and employees to improve service delivery. During the financial year the UIF continued its partnerships with various stakeholders, including South African Institute of Chartered Accountants, South African Institute of Professional Accountants, Sage HR & Payroll, Pay Day Software Systems, to assist it to improve the compliance levels of employers.

The Fund's relationship with the South African Revenue Services (SARS) continues to yield good results for the Fund's operations. Continuous engagements ensure that this relationship grows to higher levels to ensure adequate cover to qualifying employees.



T Lamati

Director General of Labour

Date: 31 July 2018

4. UNEMPLOYMENT INSURANCE COMMISSIONER'S STATEMENT



According to Stats SA the unemployment rate remained unchanged at 26.7% during the first quarter of 2018, which inevitably puts a sharp focus on the role played by the Unemployment Insurance Fund (UIF) in providing social security to vulnerable workers and their families.

Unemployment affects the unemployed individual and his family, not only with respect to income, but also with respect to health and mortality. In some instances the effects of unemployment tend to linger for years and that is why it is critical that UIF intervenes at the right time, all the time to curb its harmful effects.

Last year UIF reviewed its Vision, Mission and Objectives, which was inspired by our desire to improve service delivery and putting customers at the centre of service delivery. This initiative coincided with the approval of the Unemployment Insurance Amendment Act in January 2017. Although the Act is not operational at this juncture, it is going to greatly improve the provision of benefits by among others, extending time for submission of claims, increasing period for payment of claims, increasing the rate of payment for maternity benefit to 66% flat rate, and extending coverage to public servants and people in learnerships. The improved benefits under the new Act will ensure that livelihood of vulnerable workers are sustained for a longer period of time. of benefits to workers once it is fully operational.

Our stakeholders and clients have expressed dissatisfaction with poor service at Labour Centres services, and the biggest complaint has been delays in claims processing and making payments. In a true spirit of realising our vision, "A caring, accessible and customer centric UIF that contributes towards a poverty alleviation", we embarked on a 'changing lives drive' where we stratified claims into categories and revised processing period for each category, and also developed the Service Delivery Action Plan.



// The UIF has developed the Service Delivery Improvement Plan to address gaps in claims processes, IT infrastructure and systems and personnel capacity. //

CHANGING LIVES DRIVE

Previously it took the Fund 30 days to process all claims irrespective of benefit type, and upon close analysis we realised this was not helping our beneficiaries as we took too long to process and pay claims. The period to finalise claims have consequently been reduced to 15 days for unemployment benefit, 10 days for In-Service (Maternity, Illness and Adoption) and 20 days for Deceased benefit. During this reporting period our target was to finalise 90% unemployment claims within 15 days and we were able to finalise 89% of claims. Although the target was missed by 1%, it gives us comfort that the majority of workers who claimed for unemployment benefit were able to receive payments within a short space of time, thus easing their financial burden and enabling them to meet their immediate needs.

Service Delivery Improvement

In light of the complaints about poor service delivery by our stakeholders and clients, UIF has developed the Service Delivery Improvement Plan aimed to drastically improve service delivery.

The action plan addresses gaps in claims processes, IT infrastructure and systems, and personnel capacity. The Fund has made significant progress in implementing the following IT related action items: Infrastructure upgrade, installation of Biometric system, Wi-Fi system, and Queue Management System in all 126 Labour Centres. In addition, the u-Filing system is also being revamped to enable employers to easily declare employees and pay contributions.

Part of this plan is to streamline the processing of claims by decentralizing it to Labour Centres so that claims can be finalized at Labour Centres, thus reducing delays in making payments to our clients.

We want to promote greater self-service where clients have options to choose how they access our services through various touch points available at their disposal.

Benefit Payments

During this reporting period UIF received 836 141 claims, which represents a 9.6% increase from 762 938 of the previous year, with 80% of the total claims being for unemployment benefit. A total of R 9,3 billion was paid across all benefit claims, with 1% increase in payments for the unemployment benefit from R 6, 9 billion in the previous year to R 7, 5 billion during the year under review.

Poverty Alleviation Schemes

The personal and social costs of unemployment include severe financial hardship and poverty which sometimes results in family tensions and breakdown, increased social unrests, shame and stigma.

Negative socio-economic conditions brought by unemployment create a fertile ground for civil strife and political instability and it for this reason that the UIF Advisory Board made recommendations to the Minister of Labour back in 2008 to introduce Poverty Alleviation Schemes to stem the tide of retrenchments during the global economic crises.

The Poverty Alleviation Schemes are relevant today as they were in 2008 because retrenchments are still rife as the country experiences negative economic growth and many companies are either downsizing or closing down.

The introduction of Poverty Alleviation Schemes resulted in the formation of the Labour Activation Programmes (LAP) Unit within the UIF, which aims to provide training and re-skilling of unemployed UIF beneficiaries with the ultimate objective of re-integrating them back to the labour market. Labour Activation Programmes are mainly targeted at UIF's beneficiaries, but also targets 30% of the youth drawn from the work seekers database of the Department of Labour.

Training Interventions

LAP training interventions consist of Training of the Unemployed, Training Lay Off Scheme, Turnaround Solution and Enterprise Development. During the 2017/18 financial year 11 744 unemployed UIF beneficiaries participated in various skills training programmes conducted in partnership with Technical and Vocational Education and Training colleges , as well as Sector Education and Training Authorities.

The training programmes vary between Skills programmes, Learnerships, and Artisanship, and participants receive a minimum stipend of R 1 500 for the duration of the training. However, those who participate in the Training Lay Off scheme receive 75% of their salary as they will still be employed while in training.

The social impact of LAP is quite encouraging as we have seen how it has improved lives of participants through stipends and others getting employed permanently both in South Africa and abroad. In some instances, some learners particularly in the Civil Building and Construction programmes went on to start their own businesses and obtained sub-contracting work from construction companies.

Financial Highlights

Financial prudence has ensured that the UIF continues to maintain its strong financial position despite the overall increase in benefits payment from R 8,4 billion in 2016/17 to R 9,2 billion in 2017/18, and this happened despite the R 8 billion budgeted for the implementation of the new Unemployment Amendment Act of 2016.

	000		
Contribution Revenue	R 18 740 065	2.6%	↑
Investment Revenue	R 9 451 677	2,7%	↑
Total assets	R 158 123 406	13%	↑
Technical reserves	R 40 928 889	6,4%	↑
Benefit payments	R 9,227 370	9%	↑



“ The Public Investment Corporation makes investments on behalf of the UIF as per the investment mandate approved by UIF Advisory Board. Approximately **23 000 jobs** have been created through these investments across nine provinces, and close to **17 billion rand** has already been committed to about 26 investment projects. **”**

Socially Responsible Investments

UIF allocates 20% of its investment portfolio to Socially Responsible Investments (SRI) that is based on a social responsibility mandate which ensures that in addition to earning good financial returns, an investment should support positive, long-term economic, social and environmental outcomes that yield a good social return to the country.

The Public Investment Corporation makes investments on behalf of the UIF as per the investment mandate approved by UIF Advisory Board. The bulk of UIF investments under this portfolio encompass Economic infrastructure, Social infrastructure, Agriculture, and Environmental infrastructure.

Approximately 23 000 jobs have been created through these investments across nine provinces, and close to 17 billion rand has already been committed to about 26 investment projects.

Audit Report Matters of the previous financial year

Material findings during the audit on the 2016/17 financial year with regards to performance management, investment accounting and supply chain management was the source of major concern leading to the Auditor-General disclaimer audit opinion. The Fund embarked on a plan of action aptly named “Operation Clean Audit” to address audit findings leading to Auditor General disclaimer audit opinion and improve its control environment.

There was a concerted effort by the Fund in the year under review on the management of organisational performance, specifically those areas that were under achieved during the 2016/17 financial year

These efforts have yielded positive results in that the Auditor General has given us the unqualified opinion findings which is a great leap from the disclaimer audit opinion. However, our aim is to reclaim the clean audit status we managed to keep for seven consecutive years and to achieve this we have introduced corporate governance indicators in performance agreements of middle and senior managers, and have also relocated the governance office to the Office of the Commissioner.

**Ke a Leboga
Baie Dankie
Ngiyabonga**

Unemployment Insurance Commissioner
T Maruping
Date: 31 July 2018

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.

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

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

The Annual Financial Statements (Part F) have been prepared in accordance with the Generally Recognised Accounting Practise (GRAP) standards applicable to the public entity.

The accounting authority is responsible for the preparation of the 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 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 2018.

Yours faithfully



Unemployment Insurance Commissioner
T Maruping
Date: 31 July 2018



Director General of Labour
T Lamati
Date: 31 July 2018

6. STRATEGIC OVERVIEW



VISION

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



MISSION

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



VALUES

Transparency, Mutual respect, Client-centered services, Integrity, Accountability, Team work, Caring for our people



STRATEGIC OBJECTIVES

Improve financial Management

Improve service delivery

Improve compliance to
Unemployment Insurance Acts

Fund Poverty alleviations
schemes

OUTPUTS

Sound financial management
Social responsible

Improve client service

Improved compliance

Social plan funded



CRITICAL SUCCESS FACTORS

80% Social Responsible
investment

≤15% Administrative expenditure
(Excluding capex) as a percentage
of revenue

90% of unemployment benefits
claims processed within 15
working days

90% of new companies issued
with registration document within
2 working days

60 000 newly registered
employers

7.2% increase in revenue

100% of Training Lay-Off
Scheme approved within 20
working days

7. LEGISLATIVE AND OTHER MANDATES

The Unemployment Insurance Fund is a Schedule 3 A public entity in terms of the Public Finance Management Act, 1 of 1999.

Constitutional Mandate

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

Other Legislative Mandates

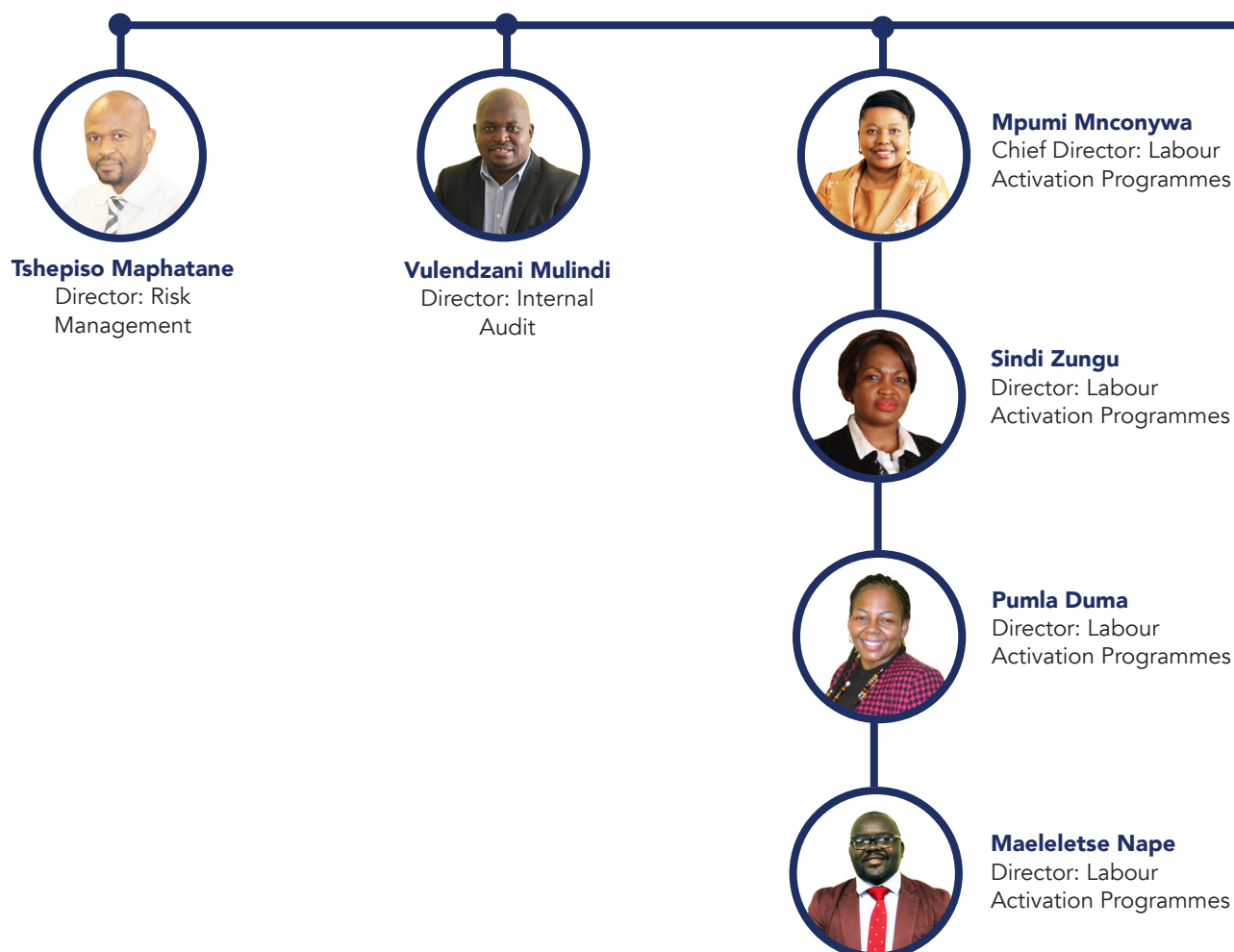
Unemployment Insurance Act, 63 of 2001 (as amended)

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

Unemployment Insurance Contributions Act, 4 of 2002

Section 9 of the Unemployment Insurance Contributions Act empowers the Unemployment Insurance Commissioner to collect contributions from all those employers who are not required to register as employers in terms of the fourth schedule to the Income Tax Act and are not liable for the payment of the Skills Development Levy in terms of the Skills Development Act. These contributions together with those collected by the SARS Commissioner in terms of section 8 of the Unemployment Insurance Contributions Act, are utilised to pay benefits and any other expenditure reasonably incurred relating to the application of the Unemployment Insurance Act.

8. ORGANIZATIONAL STRUCTURE





Teboho Maruping
Unemployment Insurance
Fund Commissioner



Judith Kumbi
Chief Director:
Operations



Hilda Mhlong
Chief Director:
Corporate Services



Fezeka Puzi
Chief Financial
Officer



Tom Buys
Acting Director:
Operations



Petro Roux
Director: Human Resources
Management and
Development



Christine Fourie
Director: Treasury
Investments and
Actuarial Services



**Malesela
Makgamatho**
Director:
Compliance



David Khumalo
Director: Strategic
Planning, Monitoring
and Evaluation



Hlalisa Anderibigbe
Director: Budgets,
Expenditure and
Bank Reconciliations



Allan Regavallo
Director: Provincial
Support



Makhosonke Buthelezi
Director: Communication
and Marketing



Maria Ramoshaba
Director: Supply
Chain Management



Andries Mathabela
Director: Organisational
Effectiveness



Ziyanda Fololo
Director: Income



Xola Monakali
Director: ICT



**Lezanne
Briedenhann**
Director: Reporting



Mazwiogwani Phathela
Director: Legal Services



Lebo Van Wyk
Director: Board Services
and Security Management

PART B | PERFORMANCE INFORMATION



1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA 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 99 - 209 of the Report of the Auditors Report, published as Part F: Financial Information.

2. SITUATIONAL ANALYSIS

2.1 Service Delivery Environment

2.1.1 Outputs

Claims finalised and payment of benefits

In 2017/18 financial year the Fund measured benefits claims separately according to their types, for example Unemployment, In-service (maternity, illness and adoption) and deceased. A total of 836 141 of all types of benefits valid claims with complete information were received through various Labour Centres across the country of which 676 795 (81%) were finalised during 2017/18 financial year. In eliminating the queues in the Labour Centres, the beneficiaries submitted a total of 23 349 claims through U-filing portal against a target of 23 000 for 2017/18. A total of 565 293 (83%) of 679 988 Unemployment benefits were finalised within fifteen working days, 99 101 (71%) of 139 691 In-service benefits were finalised within five working days and 12 401 (75%) of 16 462 Deceased benefits were finalised within ten working days. This is a great improvement as the Fund moved from finalising claims within 30 working days as compared to 2016/17 financial year. Subsequently 2 372 481 (99%) of 2 407 590 payments were processed within seven working days.

Registration of employers

In improving compliance to the Unemployment Insurance Fund Act, the Fund managed to register a total of 66 198 new employers against the target of 60 000. This is an indication that employers are starting to adhere and honour the law. A total of 18 444 employers have declared/or paid their employee's contributions through U-filing system against a target of 18 000. This has resulted in speeding up the finalisation of claims.

Social Responsibility

South Africa's current economic outlook makes it imperative for the Fund to play a role in alleviating the hardships that unemployed South African workers have to bear. The Fund contributes to meaningful job retention and job creation initiatives in partnership with the Industrial Development Corporation (IDC) and the Public Investment Corporation (PIC).

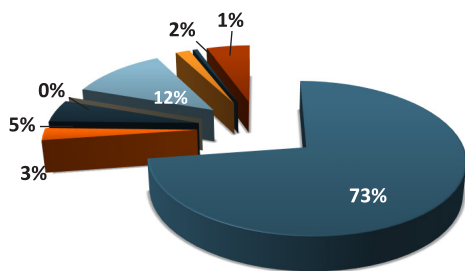
The Fund has disbursed approximately R 2, 8 billion through the IDC bond that is utilised to fund Socially Responsible Investments. Since the inception of the bond, the combined efforts of UIF and IDC have created and saved 53 140 jobs in the following sectors: Automotive & Transport Equipment, Basic Metals & Mining, Chemical Products & Pharmaceuticals and Clothing & Textiles. In addition, UIF investments through the PIC have sustained 6,860 jobs of which 3,024 are permanent, 3,836 are temporary / seasonal and 195 are new jobs created during the 2017/18 financial year.



“The Fund contributes to meaningful job retention and job creation initiatives in partnership with the Industrial Development Corporation (IDC) and the Public Investment Corporation (PIC).”

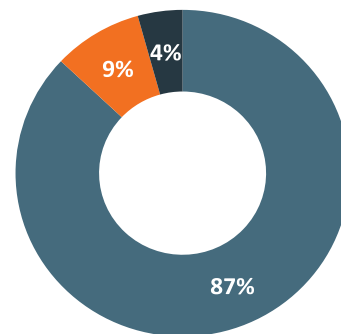
UIF Developmental Investments Portfolio Summary

Geographic Split



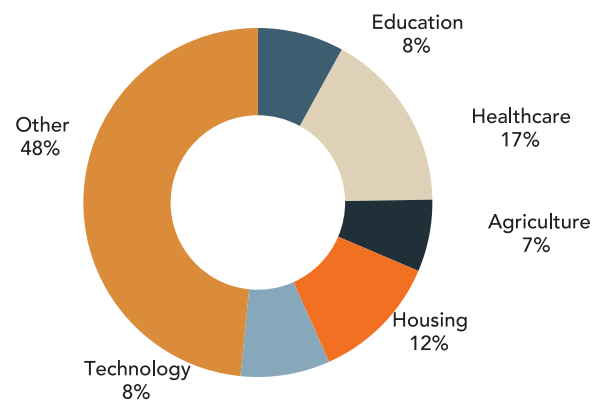
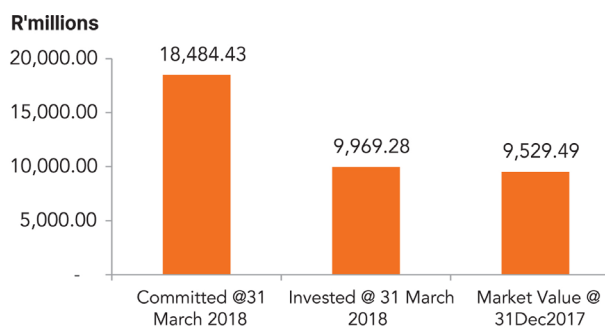
Gauteng
North West
Kwazulu Natal
Northern Cape
Western Cape
Limpopo
Eastern Cape
Mpumalanga

Instrument Split %



Debt Direct Equity Indirect Equity

Sector Split as at 31 March 2018



The Fund is involved in poverty alleviation schemes managed under the Labour Activation Programmes. The schemes were developed as means to prevent job losses and assist companies in distress during the 2008 global economic crises. The schemes comprise of Training of the Unemployed, Training Layoff Schemes, Turnaround Solutions and Enterprise Development, and during the year under review 11 744 UIF beneficiaries have benefitted in various training and reskilling programmes, as well as having their jobs saved.

Table 1: Number of UI beneficiaries benefited from LAP schemes and expenditure

SCHEMES	PROGRAMME(S)	NUMBER OF BENEFICIARIES		EXPENDITURE	
		2016/2017	2017/2018	2016/2017	2017/2018
Training of the Unemployed	Skill Programmes, Apprenticeships and Learnerships.	1 786	4 702	R 124 700 000.00	R 46 412 903.87
Training Layoff Scheme	Social plan Funding	135	358	R 2 000 000.00	R 34 544 189.87
Turnaround Solutions	Jobs Saved	4 760	6 684	R 17 500 000.00	R 14 780 255.70
TOTAL		6 681	11 744	R 144 200 000.00	R 95 737 349.44

2.1.2 Challenges encountered and corrective measures when rendering services to the public

NO	PERFORMANCE INDICATOR	CHALLENGES	CORRECTIVE MEASURE
1	Percentage of valid claims (Unemployment benefit) with complete information approved or rejected.	<p>Unintegrated operational systems which lead to duplication of processes do not support efficient operation.</p> <p>Inadequate monitoring of Labour Centres by the provincial office which results in Labour Centres sending applications for assessment at the processing offices after the turnaround times have expired.</p>	<p>Operations is currently reviewing the claims business process and the new process is expected to be piloted in the new financial year (2018/19).</p> <p>Together with the business process review, Operations has developed the integration requirements of Virtual Office, a Siyaya and ICT is in the process of appointing the new service provider that will implement the integration of the two systems.</p> <p>The Gauteng Provincial Office shared their best practice at a special Operations Forum where workflow model they use to monitor the performance of labour centres and the all provinces were requested to develop their own workflow documents and the implementation will be monitored through the OPS Forums during the 2018/19 financial year.</p> <p>The Provincial Support Unit will also visit labour centres to monitor performance.</p> <p>Operations has given the ICT Unit requirements for the Business Intelligence tool / dashboard for development in the new financial year (2018/19) to enable monitoring of performance on a daily basis.</p>

NO	PERFORMANCE INDICATOR	CHALLENGES	CORRECTIVE MEASURE
2	Percentage of valid claims (In-service benefits; Maternity, illness and adoption benefits) with complete information approved or rejected.	<p>Unintegrated operational systems which lead to duplication of processes do not support efficient operation.</p> <p>Inadequate monitoring of Labour Centres by the provincial office which results in Labour Centres sending applications for assessment at the processing offices after the turnaround times have expired.</p> <p>The system allocates all claims to the inbox of the assessor and all benefit types which have different turnaround times resulting in lack of prioritisation and affects turnaround time.</p>	<p>Reviewed targets from 5 days to 10 days (In-Service).</p> <p>Operations is currently reviewing the claims business process and the new process is expected to be piloted in the new financial year (2018/19).</p> <p>Together with the business process review, Operations have developed the integration requirements of VO and Siyaya and ICT is in the process of appointing the new service provider that will implement the integration of the two systems.</p> <p>Gauteng shared their best practice at a special OPS Forum where workflow model they used to monitor the performance of the labour centres and the all Provinces where requested to develop their own workflow documents and the implementation will be monitored through the OPS Forums during the 2018/19 financial year.</p> <p>Provincial Support Unit will also visit labour centres to monitor the performance.</p> <p>Operations has given the ICT Unit requirements for the Business Intelligence tool / dashboard for development in the new financial year (2018/19) to enable monitoring of performance on a daily basis.</p> <p>The systems will be enhanced to enable the allocation of claims according to different claims benefit types.</p>



2.1.2 Challenges encountered and corrective measures when rendering services to the public (continued)

NO	PERFORMANCE INDICATOR	CHALLENGES	CORRECTIVE MEASURE
3	Percentage of valid claims (Deceased benefit) with complete information approved or rejected.	<p>Inadequate monitoring of labour centres by the provincial office which results in labour centres sending applications for assessment at the processing offices after the turnaround times have expired.</p> <p>The system allocates all claims to the inbox of the assessor and all benefit types which have different turnaround times resulting in lack of prioritisation and affects turnaround time.</p>	<p>Reviewed targets from 5 days to 10 days (In-Service).</p> <p>Operations is currently reviewing the claims business process to and the new process is expected to be piloted in the new financial year (2018/19).</p> <p>Together with the business process review, Operations have developed the integration requirements of VO and Siyaya and ICT is in the process of appointing the new service provider that will implement the integration of the two systems.</p> <p>Gauteng shared their best practice at a special OPS Forum where workflow model they used to monitor the performance of the labour centres and the all Provinces where requested to develop their own workflow documents and the implementation will be monitored through the OPS Forums during the 2018/19 financial year.</p> <p>Provincial Support Unit will also visit labour centres to monitor the performance.</p> <p>Operations has given the ICT Unit requirements for the Business Intelligence tool / dashboard for development in the new financial year (2018/19) to enable monitoring of performance on a daily basis.</p> <p>The systems will be enhanced to enable the allocation of claims according to different claims benefit types.</p>

2.2 Organisational environment

New Directors were appointed for the Directorates: Organisational Effectiveness, Supply Chain Management and Risk Management. The vacant post for Chief Director: Operations was also filled.

2.3 Key policy development and legislative changes

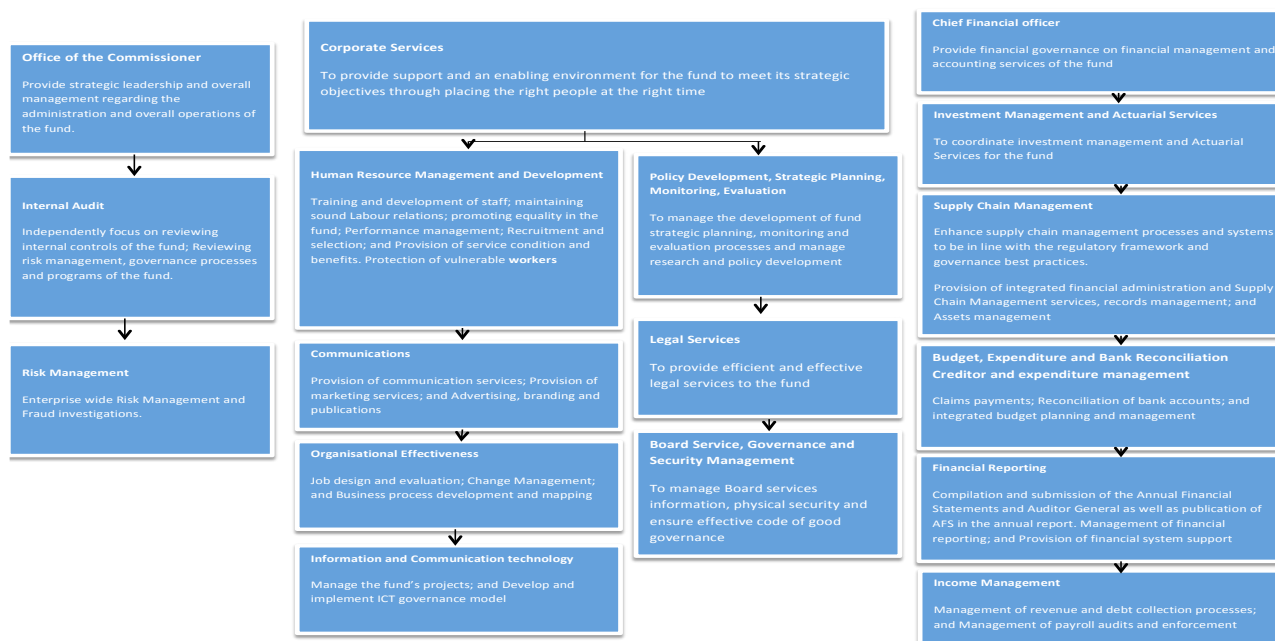
None.

2.4. Strategic Outcome Oriented Goals

Strategic outcome oriented goal 1	Improve collection of revenue from employers	2017/18 Target	Achievement
Goal statement	Increase contributions collected by at least the prevailing Consumer Price Index (CPI).	7.2% by 31 March 2018	2.65%
Strategic outcome oriented goal 2	Improve payment of benefits to beneficiaries of the Fund	2017/18 Target	Achievement
Goal statement	Increase the rate of processing claims in order to pay within the targeted service levels and turnaround times	90% of unemployment benefits within 15 working days by March 2018.	83%
Goal statement	Increase the rate of processing claims in order to pay within the targeted service levels and turnaround times	90% of in-service benefits within 5 working days by March 2018.	71%
Goal statement	Increase the rate of processing claims in order to pay within the targeted service levels and turnaround times	90% of deceased benefits within 10 working days by March 2018.	75%
Strategic outcome oriented goal 3	Participate in government initiatives of creating and sustaining decent employment	2017/18 Target	Achievement
Goal statement	Contribute in the various schemes designed to alleviate the harmful effects of unemployment which includes investing mandated funds in the Social Responsible Investments	100% Within 20 working days by March 2018	100% 22 applications were approved within 20 working days by March 2018.
Strategic outcome oriented goal 4	Effective administration of the Fund's operations	2017/18 Target	Achievement
Goal statement	Maintain effective systems of internal control as required by the Public Finance Management Act of 1999.	Maintain effective systems of internal control as required by the Public Finance Management Act of 1999. (An unqualified audit opinion).	Unqualified audit opinion

3. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

3.1 Programme 1: Administration



3.2 Programme 2: Business Operations.

Chief Directorate: Operations To collect contributions and pay benefits.

- Management and administration of benefit payments.
- Management and administration of declaration processes.
- Monitoring of Provincial Office performance.
- Provision of Call Centre services.
- Registration of employers.

3.3 Programme 3: Labour Activation Programme

Chief Directorate: Labour Activation Programme Provide strategic leadership and guidance on the implementation of the Labour Activation Programmes.

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

4. STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Strategic objectives	Performance indicator	Actual Achievement 2014/15	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Improve financial management	Percentage return on investment.	11.83% return on investment achieved by March 2015 Calculation R 11 085 878 569.30 / R 93 714 431 323.34 = 0.11829*100% = 11.83%	3.3% return on investments by March 2016. R3 687m / 112 757m = 0.0326*100 = 3.3%	5.90% (R7 286 919 311/123 522 767 644 x100) return on investment was achieved by March 2017.	CPI return on investment by March 2018 (3.8% by March 2018)	Achieved 12.36% (R146 702 753 323-R130 562 709 701)= 16 140 043 622/ R130 562 709 701X*100 Return on investment achieved as at 31 March 2018.	Target over achieved by 8.56%	The portfolio diversification coupled with low inflation has contributed to the variance.
Improve financial management	Administrative expenditure (excluding capex) as a percentage of revenue.	Administrative Expenditure was 10% of Revenue by March 2015. 1 573 656 / 16 150 796 = 10%	Administrative expenditure was 9.9% of Revenue by March 31 2016. R1 691m / R17 120mx100 = 9.9%	11.1% (2038016/18239065x100) of administrative expenditure as at March 2017	Administrative expenditure ≤ 15% by March 2018	Achieved Administrative expenditure was at 11% (2 001 016/18 184 546)*100 as at 31 March 2018.	None	There is no variance for this target. Actual achievement is 11% which complies with the target of less than 15% of revenue.
Improve financial management	Percentage of total mandated social responsible Investment committed.	R 7 930 270 660 (Invested/ Committed) / R 9 371 443 132 (10% of Portfolio as at 1/4/2014) = 85%	R7 68m invested/ committed. R11 275 million (10% of portfolio as at 01/04/2015) R7 688m / R11 2757m = 0.68*100 = 68%	85% (R 20 935 691 043/24704 553x100) of total mandated social responsible investment committed by March 2017.	80% by March 2018	Achieved 91% (24 843 290 558/27 348 750 148 x 100) of total mandated social responsible investments committed as at 31 March 2018.	Target over achieved by 11%	The SRI Commitment Value increased by 25% in 2017/2018 financial year.

Strategic objectives	Performance indicator	Actual Achievement 2014/15	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Improve service delivery	Percentage of valid claims (Unemployment benefit) with complete information approved or rejected.	90%	84%	89%	90% within 15 working days by March 2018.	Not Achieved 83% within 15 working days as at 31 March 2018.	Target under planned target achieved by 7%	Unintegrated operational systems which lead to duplication of processes do not support efficient operation. Inadequate monitoring of labour centres by the provincial office which results in labour centres sending applications for assessment at the processing offices after the turnaround times have expired.
Improve service delivery	Percentage of valid claims (In-service benefits; Maternity, illness and adoption benefits) with complete information approved or rejected.	92%	88%	87%	90% within 5 working days by March 2018	Not Achieved 71% within 5 working days as at 31 March 2018	Target under planned target achieved by 19%	Unintegrated operational systems which lead to duplication of processes do not support efficient operation. Inadequate monitoring of labour centres by the provincial office which results in labour centres sending applications for assessment at the processing offices after the turnaround times have expired. The system allocates all claims to the inbox of the assessor and all benefit types which have different turnaround times resulting in lack of prioritisation and affects turnaround time.

Strategic objectives	Performance indicator	Actual Achievement 2014/15	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Improve service delivery	Percentage of valid claims (Deceased benefit) with complete information approved or rejected.	91%	82%	89%	90% within 10 working days by 31 March 2018	Not Achieved 75% within 10 working days as at 31 March 2018.	Target under achieved by 15%	Unintegrated operational systems which lead to duplication of processes do not support efficient operation. Inadequate monitoring of labour centres by the provincial office which results in labour centres sending applications for assessment at the processing offices after the turnaround times have expired. The system allocates all claims to the inbox of the assessor and all benefit types which have different turnaround times resulting in lack of prioritisation and affects turnaround time.
		Province	Created	Finalised	Final %			
		Eastern Cape	2 198	1 712	78%			
		Free State	1 199	845	70%			
		Gauteng	4 176	2 868	69%			
		KwaZulu-Natal	3 238	2 732	84%			
		Limpopo	1 331	940	71%			
		Mpumalanga	1 509	1 131	75%			
		North West	589	343	58%			
		Northern Cape	490	456	93%			
		Western Cape	1 732	1 374	79%			
		Grand Total	16 462	12 401	75%			
Improve service delivery	Percentage of payment documents processed after receipt	N/A	N/A	N/A	95% of payment documents processed within 7 working days of receipt by 31 March 2018.	Achieved 99% within 7 working days as at 31 March 2018.	Target Over achieved by 4%	Payment forms taken manually and captured directly in Siyaya
		Province	Created	Finalised	Final %			
		Eastern Cape	194 382	192 115	99%			
		Free State	113 164	111 261	98%			
		Gauteng	717 254	714 362	100%			
		Head Office	38 591	36 491	95%			
		KwaZulu-Natal	463 465	448 192	97%			
		Limpopo	171 275	170 847	100%			
		Mpumalanga	155 497	150 798	97%			
		North West	82 221	81 743	99%			
		Northern Cape	64 777	62 359	96%			
		Western Cape	392 293	390 041	99%			
		Grand Total	2 392 919	2 358 209	99%			

Strategic objectives	Performance indicator	Actual Achievement 2014/15	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018					Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Improve service delivery	Percentage of new companies with complete information issued with registration certificate.	N/A	N/A	N/A	90% within 2 working days by 31 March 2018	Achieved 98% within 2 working days as at 31 March 2018.					Target Over achieved by 8%	The registration team is working efficiently and registration documents are prioritized according to the date of receipt. Evidence is reflected on new registration turnaround time report.
		Province	Created	Finalised		Final %						
		Eastern Cape	4 072	4 004		98%						
		Free State	1 948	1 832		94%						
		Gauteng	5 228	5 115		98%						
		Head Office	40 286	39 984		99%						
		KwaZulu-Natal	5 446	5 232		96%						
		Limpopo	2 141	2 059		96%						
		Mpumalanga	3 084	2 966		96%						
		North West	1 173	1 104		94%						
		Northern Cape	1 094	1 047		96%						
Western Cape	1 726	1 596	92%									
Grand Total	66 198	64 939	98%									
Improve compliance to unemployment insurance acts	Number of newly registered employers per year	An increase of 3.4% Employers Registered 2014/15= 53 312 Employers Registered as at 31 March 2014= 1 526 416 53312/1 526 416 = 0,034*100% = 3,4%	A total of 51 904 new employers were registered against the target of 63 189 which represents 3.3% (51 904/1579 728= 0.0328*100=3.3%)	Total of 58 351 new employers were registered	60 000 by March 2018	Achieved 66 198 newly registered employers as at 31 March 2018.					Target Over achieved by 6 198	Collaboration with the Department of Basic Education to register schools for the National Schools Nutrition Project.

Strategic objectives	Performance indicator	Actual Achievement 2014/15	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
	Percentage increase in revenue per year	Contributions revenue collected by 31 March 2014-R15 309 million Contributions revenue collected by 31 March 2015 (R16 147 million) an increase of 5.5%	6% increase in revenue collected was achieved as at March 2016. Contribution revenue collected by March 2016 – R17 120m. Contribution revenue collected by March 2015 – R16 147m.	March, 2017 – R18 256 811 119.38 March, 2016 – R17 120 380 688.29 Which yielded a 6.6% instead of 7.5% Increase in contributions revenue received during the reporting period.	7.2% by March 2018	Not Achieved 2.65 % increase in revenue inflows (R18 740 065 479.44 - R18 256 811 119.38)/ (R18 256 811 119.38)x100 Which yielded a 2.65% increase instead of 7.2% increase in contributions revenue received during the reporting period	Target under achieved by 4.55.%	Actual revenue that is received fluctuates based on volatile economic markets

Strategic objectives	Performance indicator	Actual Achievement 2014/2015	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Fund poverty alleviation schemes.	Turnaround time to approve or reject funding after receipt of complete information.	N/A	N/A	5 applications received, 2 approved and 3 rejected within 30 days	100% Within 20 working days	Achieved 100% 22 applications were approved within 20 working days as at 31 March 2018.	None	There is no deviation on this target.
	Turnaround time to transfer funds to partners after receipt of accurate invoice	N/A	N/A	N/A	100% within 10 working days by March 2018	Not Achieved 7% 72 invoices were received, 5 were paid within 10 working days and 67 after 10 working days as at 31 March 2018.	Target underachieved by 93%.	The invoices are submitted to Finance on average within 5 days. The process from SCM and Finance for payment takes more than 7 days.

5. STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Business Operations is currently reviewing the claims business process and the new process is expected to be piloted in the new financial year (2018/19). The integration requirements of Virtual Office (VO), Siyaya and ICT is been developed and in the process of appointing the new service provider that will implement the integration of the two systems. Further the Business Intelligent tool/ dashboard to enable monitoring of performance on a daily basis will be implemented in the 2018/19 financial year. Through the shared best practises of the Gauteng Province workflow model, other provinces have been requested to develop their own workflow documents, and the implementation will be monitored during the 2018/19 financial year. The turnaround times for processing the In-Service benefit type (maternity, illness and adoption) have been revised.

In terms of the indicator relating to the percentage increase in Revenue per year, the request for increase in maximum ceiling on contribution was submitted to National Treasury; however the process is still ongoing. The Fund improved the debt collection process in Head Office and Provinces.



“ Through the shared best practises of Gauteng Province workflow model, other provinces have been requested to develop their own workflow documents and the implementation will be monitored during the 2018/19 financial year. ”

6. ANNEXURE A

TECHNICAL INDICATOR DESCRIPTIONS THAT WERE ENHANCED DURING THE REPORTING PERIOD

Programme 1: Administration

Strategic Objective 1: Improve Financial Management



Programme Performance Indicator		Annual Target	Quarterly Targets			
		2017/18	1st	2nd	3rd	4th
OLD	Percentage return on investment by 31 March 2018	CPI by 31 March 2018	CPI by 30 June 2017	CPI by 30 September 2017	CPI by 31 December 2017	CPI by 31 March 2018
Enhanced	Percentage return on investment by 31 March 2018	CPI by 31 March 2018	CPI/4 by 30 June 2017	CPI/2 by 30 September 2017	CPI *3/4 by 31 December 2017	CPI by 31 March 2018

Programme 3: Labour Activation Programme

Strategic Objective 4: Fund Poverty Alleviation Schemes



Programme Performance Indicator		Annual Target	Quarterly Targets			
		2017/18	1st	2nd	3rd	4th
OLD	Turnaround time to approve or reject funding after receipt of complete information.	Within 20 working days	Within 20 working days	Within 20 working days	Within 20 working days	Within 20 working days
Enhanced	Turnaround time to approve or reject funding after receipt of complete information.	100% Within 20 working days	100% Within 20 working days	100% Within 20 working days	100% Within 20 working days	100% Within 20 working days
OLD	Turnaround time to transfer funds to partners after receipt of accurate invoice.	Within 10 working days	Within 10 working days	Within 10 working days	Within 10 working days	Within 10 working days
Enhanced	Turnaround time to transfer funds to partners after receipt of accurate invoice	100% Within 10 working days	100% Within 10 working days	100% Within 10 working days	100% Within 10 working days	100% Within 10 working days

Old Baseline

Programme Performance Indicator	Audited/Actual Performance			Estimated Performance	Medium Term Targets		
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Percentage of valid claims (Unemployment benefit) with complete information approved.	86% (655 882)	90% (654 053)	84% (608 347)	90% within 5 weeks by March 2017	90% within 15 working days by March 2018	90% within 10 working days by March 2019	90% within 10 working days by March 2020

New Baseline

This indicator was considered to be a new indicator as it is a variation of the indicator that was reported on, in the 2016/17 financial year.

Programme Performance Indicator	Audited/Actual Performance			Estimated Performance	Medium Term Targets		
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Percentage of valid claims (Unemployment benefit) with complete information approved.	N/A	N/A	N/A	N/A	90% within 15 working days by March 2018	90% within 10 working days by March 2019	90% within 10 working days by March 2020

Old baseline

Programme Performance Indicator	Audited/Actual Performance			Estimated Performance	Medium Term Targets		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Percentage increase in Revenue per year.	11.8% March 2013: R13,687 m March 2014: R15, 309 m	5.5% March 2014: R15, 309 m March 2015: R16 198m	6% March 2015: R16, 147 m March 2016: R17 120m	7.5% (R17 358 m) by March 2017	7.2% by March 2018	6.9% by March 2019	6% by March 2020

New Baseline

The estimated performance was recorded as 7.5% (R17 358) by March 2017 instead of 7.5% (R17 358m) by March 2017

Programme Performance Indicator	Audited/Actual Performance			Estimated Performance	Medium Term Targets		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Percentage increase in Revenue per year.	11.8% March 2013: R13,687 m March 2014: R15, 309 m	5.5% March 2014: R15, 309 m March 2015: R16 198m	6% March 2015: R16, 147 m March 2016: R17 120 m	7.2% (R17 358 m) by March 2017	6.9% by March 2018	6% by March 2019	5% by March 2020

Enhancement of technical indicator description

Programme1: Administration

	Old description	Enhanced
Indicator title	Percentage return on investment	
Method of calculation	Cumulated listed investment in portfolio less receipt from UIF less portfolio as at 01 April 2017 divided by portfolio as at 01 April 2017 multiplied by 100.	Listed Portfolio (Listed on the exchange) as at last day of the current month less Listed Portfolio as at the beginning of the current financial year divided by the Listed Portfolio as at the beginning of the current financial year multiplied by 100.
Desired performance	Increase returns from the Fund's investment.	Return on investments equal to at least CPI by March 2018.

Programme 2: Business operations

	Old description	Enhanced
Indicator title	Percentage of new companies with complete information issued with registration certificate.	
Short definition	Percentage of new companies issued with registration certificate processed within 2 working days (excluding weekends and public holidays).	Percentage of new companies with complete information registered (created) within 2 working days of receipt. A registration certificate (UI 54) bearing the unique registration number will be generated.
Purpose/ importance	Track the processing of registrations after receipt of documents.	Track the turnaround time of the capturing of registration documents (UI 8 or UI 8 D) within 2 working days of receipt by the Registration unit on the Siyaya system.

Programme 2: Business operations (Continued)

	Old description	Enhanced
Evidence to be submitted	Siyaya Operating system and excel spread-sheet.	MS Excel spread sheet of the registered companies (Data extracted from Siyaya database).
Source/collection of data	The registration document receipt date is matched against the capture date and recorded. The Number of registrations within two day is divided into total registrations and the quotient is multiplied by 100.	Siyaya Database.
Method of calculation	The number of registrations captured within two working day (excluding weekends and public holidays) divided by the total registrations captured multiplied by 100.	The receipt date is indicated by a block stamp or date stamp on the UI 8 or UI 8D and this date is compared against the created date on Siyaya. The number of registrations created within 2 working days divided by the total number of registrations created multiplied by 100 within a calendar month.

	Old description	Enhanced
Indicator title	Percentage of payment documents processed after receipt.	
Evidence to be submitted	Siyaya Operating system and excel spread-sheet.	MS Excel spread sheet of the captured payment documents (Data extracted from Siyaya database).
Method of calculation	The payment documents receipt date is matched against the capture date and recorded. The Number of payments documents processed within seven working days (excluding weekends and public holidays) are divided by total number of payment documents received for the period and the quotient is multiplied by 100(total payments documents, excludes documents for first payments and re-issues).	The receipt date is indicated by a block stamp or date stamp on the payment continuation form (UI- 6A) and this date is compared against the created date on Siyaya. The number of payments created within 7 working days of receipt divided by the total number of payments created and multiplied by 100. (Total payments documents exclude documents for first payments and re-issues).

	Old description	Enhancement
Indicator title	Percentage of valid claims (Unemployment) benefit with complete information approved or rejected.	
Evidence to be submitted	SIYAYA system report and excel spread-sheet.	MS Excel spread sheet. Data extracted from Siyaya database.

	Old description	Enhancement
Indicator title	Percentage of valid claims (In-service benefits; Maternity, illness and adoption benefits) with complete information approved or rejected.	
Evidence to be submitted	SIYAYA system report and excel spread-sheet.	MS Excel spread sheet. Data extracted from Siyaya database.

Programme 2: Business operations (Continued)

	Old description	Enhancement
Indicator title	Percentage of valid claims (Deceased benefit) with complete information approved or rejected.	
Evidence to be submitted	SIYAYA system report and excel spread-sheet.	MS Excel spread sheet..Data extracted from Siyaya database.

	Old description	Enhancement
Indicator title	Percentage of payment documents processed after receipt.	
Evidence to be submitted	Siyaya Operating system.	MS Excel spread sheet. . Data extracted from Siyaya database.

	Old description	Enhancement
Indicator title	Number of newly registered employers per year.	
Evidence to be submitted	SIYAYA System.	MS Excel spread sheet.

Programme 3: Labour Activation Programmes

	Old description	Enhancement
Indicator title	Turnaround time to approve or reject funding after receipt of complete information.	
Short definition	The number of working days (excluding weekends and public holidays) taken to approve or reject funding after receipt of complete information. Complete information means submission of documents as per MOU and checklist where applicable. This involves the compilation of a due diligence report that determine funding decision. Due diligence means requirements as per the MOU and the checklist.	The indicator measures the number of requests for funding that were approved or rejected within 20 working days of receipt of complete information to the support/rejection of the request for funding by the Commissioner or his delegate. Complete information refers to the point where the committee rejects or supports the request.
Purpose/importance	Tracks the implementation of the projects as per the MOU.	The approval of funding is intended to enhance UIF beneficiary's employability and preserve jobs.
Evidence to be submitted	Due diligence report signed by the Chief Director.	Signed submission by the Commissioner/his delegate.
Source/collection of data	Deliverables on the MOU and the checklist.	Minutes of the committee meeting and the copy of a signed submission requesting approval/rejection.

Programme 3: Labour Activation Programmes (Continued)

	Old description	Enhancement
Method of calculation	Count the number of days taken (excluding weekends and public holidays) to approve or reject funding after receipt of complete information.	The number of funding with complete information approved or rejected within 20 working days divided by the total funding with complete information multiplied by 100. Counting of 20 working days starts when the committee supports/rejects a request to the signature of the Commissioner or his delegate.
Data limitations	Late or non-submission of source documents.	Incomplete or outdated information from relevant stakeholders.
Desired performance	Funding decision made within 20 working days.	80% of funding approved or rejected by the delegated authority within 20 working days.
Indicator responsibility	Chief Director: Labour Activation Programme.	

	Old description	Enhancement
Indicator title	Turnaround time to transfer funds to partners after receipt of accurate invoice.	
Short definition	The number of working days (excluding weekends and public holidays) taken to transfer funds after receipt of accurate invoice. Accurate means invoice claimed in accordance with the MOU.	The number of working days taken to transfer funds after receipt of accurate invoice. Accurate invoice means invoice claimed in accordance with the signed MOA and its verified deliverables (TOU AND TLS Payment schedule/tranche list) (TAS checklist.)
Purpose/importance	Tracks number of days it takes to transfer funds to the partners after receipt of invoice.	Tracks percentage and number of days it takes to pay partners after receipt of accurate invoices.
Evidence to be submitted	Proof of payment.	List of all transfers processed. Accurate invoice and proof of payments.
Method of calculation	Count the number of days taken (excluding weekends and public holidays) to transfer funds after receipt of invoice.	Number of accurate invoices paid within 10 working days divided by the total number of accurate invoices received multiplied by 100. Counting starts from the date of confirmation of deliverables to the date of payment of invoices.

7. SUMMARY OF FINANCIAL INFORMATION

7.1 Summary of expenditure

a) Summary of expenditure

Item	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under Expenditure	Budget	Actual	(Over)/Under Expenditure
	R'000	Expenditure	R'000	R'000	Expenditure	R'000
		R'000			R'000	
Benefits payments	10 282 977	9 227 370	1 055 607	8 313 414	8 478 357	-164 943
Labour Activation Programmes (Schemes)	889 466	48 673	840 793	706 000	145 478	560 522
Administration	3 283 091	2 124 398	1 158 693	2 576 028	2 040 938	535 090
Total	14 455 534	11 400 441	3 055 093	11 595 442	10 664 773	930 669

b) Summary of income

Item	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000	Revenue	R'000	R'000	Revenue	R'000
		R'000			R'000	
Revenue collected	20 050 163	18 740 065	1 310 098	17 979 407	18 256 811	-277 404
Total	20 050 163	18 740 065	1 310 098	17 979 407	18 256 811	-277 404

c) Summary of other income

Item	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000	Income	R'000	R'000	Income	R'000
		R'000			R'000	
Other income	1 967	22 169	-20 202	2 424	7 657	-5 233
Investment revenue	10 451 287	9 446 020	1 005 267	8 936 086	9 199 601	-263 515
Fair value adjustment	0	3 859 251	-3 859 251	0	2 610 167	-2 610 167
Total	10 453 254	13 327 440	-2 874 186	8 938 510	11 817 425	-2 878 915

d) Summary of change in reserves

Item	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under Expenditure	Budget	Actual	(Over)/Under Expenditure
	R'000	Change	R'000	R'000	Change	R'000
		R'000			R'000	
Change in benefits payable	-464 623	-7 157 242	6 692 619	-253 153	-968 450	715 297
Change in Unearned premium reserve	-2 389 071	-2 625 121	236 050	-1 184 989	-1 499 766	314 777
Total	-2 853 694	-9 782 363	6 928 669	-1 438 142	-2 468 216	1 030 074

7.2 Summary of financial Information

Summary of income, expenses and reserves

Item	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000	R'000	R'000	R'000	R'000	R'000
Total revenue	30 503 417	28 208 255	2 295 162	26 917 916	27 464 069	-546 153
Administration expenditure	-3 283 091	-2 123 948	-1 159 143	-2 576 028	-2 040 938	-535 090
Benefit expenditure	-10 282 977	-9 227 370	-1 055 607	-8 313 414	-8 478 357	164 943
Unemployment poverty alleviating schemes	-889 466	-48 673	-840 793	-706 000	-145 478	-560 522
Outstanding claims reserves	-464 623	-7 157 242	6 692 619	-253 153	-968 450	715 297
Unearned premium reserve	-2 389 071	-2 625 121	236 050	-1 184 989	-1 499 765	314 776
Fair value adjustment	-	3 859 251	-3 859 251	-	-2 610 167	2 610 167
Impairment of buildings	-	-450	450	-	-8 123	8 123
Net Surplus for the year	13 194 189	10 884 702	2 309 487	13 884 332	11 712 791	2 171 541

Linking Performance with Budget

The overall performance of the Fund from 01 April to 31 March 2018 is at 58%, and 65% of the budget was spent for the financial year 01 April 2017.

Programme 01 - Administration

	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 01 - Administration						
Improve Financial Management	1 623 301	795 401	827 900	1 206 154	803 285	394 801
Total	1 623 301	795 401	827 900	1 206 154	803 285	394 801

The purpose of the programme is to provide management, strategic and administrative support services to the Fund. To carry out this objective Programme 1 spent 49% of its budget for the financial year 2017/18 and achieved 100% of the set targets.

Programme 02 - Business Operations

	2017/2018			2016/2017		
Programme 02 - Business Operations						
Improve compliance	430 571	328 162	102 409	375 935	318 038	57 897
Improve service delivery	1 226 095	999 496	226 599	990 348	918 455	71 893
Total	1 656 666	1 327 658	329 008	1 366 283	1 236 493	129 790

The purpose of the programme is to collect contributions and pay benefits. To carry out this objective Programme 02 spent 80% of its budget for the financial year 2017/18 and achieved 43% of the set targets.

Programme 03 - Fund poverty alleviation schemes

	2017/2018			2016/2017		
Programme 03 - Fund poverty alleviation schemes						
Labour Activation Programmes	3 124	1 339	1 785	3 591	1 159	2 432
Total	3 124	1 339	1 785	3 591	1 159	2 432
Total Administrative budget	3 283 091	2 124 398	1 158 693	2 576 028	2 040 937	527 023

The purpose of the programme is to provide labour market programmes. To carry out this objective Programme 3 spent 43% of its budget for the financial year 2017/18 and achieved 50% of the set targets. The programme is also mandated to Fund Labour Activation schemes. The transfers made to entities responsible for implementation of Labour Activation Programmes were 5% of the budget.

Revenue	
6.53% less revenue collected than the budgeted amount. The budget for revenue is based on a revenue indicator developed for the Fund, which utilises a combination of projected CPI and GDP to determine the likely rate of growth in the revenue of the Fund. Based on this revenue indicator, revenue projected was slightly more than the actual amount collected during the 2017/18 financial year.	1 310 097
Benefit Payment	
The budget was compiled based on the expected economic conditions and past events in South Africa. The unemployment rate increased at a lower rate than expected during the 2017/18 year. The average unemployment rate for 2017/18 was 27.45, 0.72% which was higher than the average unemployment rate of 26.73% in 2016/17.	1 055 607
Unemployment alleviation schemes	
The Unemployment Alleviation Schemes budget took into consideration projects in the implementation phase and projects that were on hold but due for implementation in the 2017/2018 financial year. The above estimation included the budget for anticipated projects to be acquired through Expression of Interest. A total amount of R889 million was budgeted for the year under review. R689 million was budgeted towards the Training of the Unemployed because of the anticipated increase in the funding of new training projects. However, the delays on the finalisation of the evaluation process and inadequate supporting documents submitted by service providers for payment has led to 94% under-expenditure of the budgeted amount. R200 million was budgeted for expenditure on the Training Layoff Scheme and the Social Fund (Turnaround Solution).The Fund reviewed the Labour Activation Programme (LAP) validation processes and implemented additional controls during financial year under review. The changes effected stricter measures on the approval of applications relating to the Training Lay-off Schemes (TLS) and Turnaround Solutions (TAS) funding. This led to only 10% being spent under this scheme based on validated applications that adhere to the control measures put in place.	840 793
Other Income	
An increase in digital lines resulted to an increase in staff compliment and office space. Therefore rent is due to increase. Recovery of overpayments written off was not budgeted for because it formed part of normal overpayments recoveries. A split which separates normal recoveries from those received from debts written off was done. The Cash surplus account contains untraceable deposits which are under investigation. Insurance Claim Settlements account was not budget for however the amount received was due to insurance settlements towards lost items claimed for. This account contains a once of payment received (settlement) for a property that was sold in the Eastern Cape – Alice.	20 202
Auditors remuneration	
36.88% less than budget. As at the end of the financial year, the Fund had paid invoices relating to the finalisation of the 2016/17 audit. During the conclusion of the financial year 2017/18 the audit was still in process and not concluded due to timelines set by the PFMA to submit annual financial statements	4 757
Administrative Costs	
33.89% saved against the following main budget items:	
Stationery and Printing: Cost containment measures implemented to comply with the circular issued by National Treasury.	15 821
Venues and Facilities: The Fund continues to consider the cost-effective options when hosting events and meetings to comply with cost containment measures.	4 380

Entertainment/Catering: The Fund continues to consider the cost-effective options when hosting events and meetings to comply with cost containment measures.	4 332
Advertising: Cost containment measures to comply with the circular issued by National Treasury.	20 865
External IT services: Specialised external system maintenance and support, SITA services and software licences expenditure were less than the amount budgeted for. The SAP maintenance and support and queue management are some ICT projects not finalised during the current year.	82 329
SARS commission: budget is based on the higher contributions revenue anticipated as projected by the Fund's actuaries.	45 519
Depreciation, Amortization and Impairment	135 271
Depreciation is 73.77% less than the budget amount due to the capital ICT projects which were not finalised during the financial year under review, with specific reference to the infrastructure upgrade in labour centres, end user devices and SAP implementation release 2 and the maintenance of the data centre. The Fund re-assesses the useful life of assets on an annual basis in line with GRAP 17. In addition there were impairments realised on the Sunnyside and 94 WF Nkomo building during the current financial year.	
Employee Cost	
22.18% saving against the following main budget items:	333 221
Saving against the following main budget items: The Unemployment Insurance Fund is reflecting a 22.18% underspending on employee cost in comparison to the budget. The Fund observes the compensation budget limits as directed by National Treasury to curb the wage bill. The Fund will continue to focus on service delivery focal points (labour centres).	
Operating Expenses	445 954
46.80% saving against the following main budgeted items:	
Management and investment fees. As from 1 February 2016 the Fund increased its Strategic Asset Allocation (SAA) towards Social Responsible Investments (SRI) from 10% of the Total Value of the Portfolio to 20% of the Total Value of the Portfolio. When the budget was calculated, implementation cost of the new mandate was estimated higher due to the fact that initial Commitment Capital fees of new instruments are substantially higher than subsequent management fees. Trading activity in the Portfolio also decreased due to unfavourable market conditions	267 497
Consumables: Cost containment measures to comply with the circular issued by National Treasury.	3 398
Communications: cell phones, telephone, postage. Cost containment measures to comply with the circular issued by National Treasury.	15 206
Travel and Subsistence: The Fund is complying with National Treasury Instructions issued in 2016/17 financial to reduce spending on travelling.	32 353
Investment Revenue	
10.25% more investment income received than budget.	263 516
The South African economy remained in turmoil during the 2017/18 financial year which resulted in the Fund implementing a conservative budget approach. Although the portfolio return underperformed the SWIX Benchmark by -0.38% for 12 months and the Fund implemented hedge positions to mitigate the Equity Portfolio's current concentration risk exposure to Naspers, the investment revenue managed to outperform the budget.	1 071 347

8. OFFICIAL SIGN-OFF

It is hereby certified that this ANNUAL PERFORMANCE REPORT 2017/18:

Was developed by the management of the Unemployment Insurance Fund under the guidance of, Mr. T Maruping.

Was prepared in line with the current Strategic Plan and Annual Performance Plan (APP) of the Unemployment Insurance Fund (UIF).

Was prepared in line with the current annual performance targets as reflected in the APP of the Unemployment Insurance Fund.

Accurately reflects the performance of the UIF during the fourth quarter of the 2017-2018 financial year.



T. Maruping

Unemployment Insurance Commissioner

Date:



T Lamati

Director General of Labour

Date:

PART C | GOVERNANCE



1. GOVERNANCE

1.1 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 run in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

1.2 Portfolio Committees

During the 2017/18 financial year, the UIF was requested to appear 12 times before the Portfolio Committee on Labour.

1.3 Executive Authority

The three year term of the previous Board came to an end on 31st October 2017. The Minister of Labour, through NEDLAC (social partners) nominations appointed eight new members and reappointed three members for continuity in the new term of the Board with effect from 1st November 2017, to advise her on issues related to operations of the UIF as a social security instrument. One member representing the State did not accept re-appointment and the Fund is still in the process of appointing two members representing the State (in terms of section 49 (2) of the UIAct, 2001 each constituency must be represented by 3 members on the Board). Currently the Board is constituted with 10 members and a Chairperson. Board orientation and development of members were conducted on a continuous basis.

During the term of the outgoing and current Board, reports of the Board were submitted to the Minister and the UIF Board Chairperson met frequently with the Minister to discuss the functioning of the UIF and its progress in implementing the approved Five Year Strategic Plan of the UIF. The main theme of the meetings was around the UIF's contribution to job creation (Labour Activation Programmes) and governance issues.

The UIF outgoing and current Board have reaffirmed their commitment towards assisting the Minister of Labour to reach her job creation goals. Efforts will be made in the coming financial year to resuscitate the joint working committee of the Unemployment Insurance Board and Compensation Fund Board to finalise the proposed governance model for the Department of Labour Entities. A report with recommendations will be presented to the Minister of Labour.

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

- The 2018/19 MTEF Budget submitted on 17 October 2017; and
- The 2018/19 Annual Performance Plan submitted on 05 February 2018.

1.4 The Accounting Authority

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

1.5 The Advisory Board

In terms of section 47 of the Unemployment Insurance Act, the Minister of Labour must establish the Unemployment Insurance Board. The UI Board has participated in the Minister's job fairs and Imbizos to fully understand unemployment issues and to advise the Minister accordingly.

1.5.1 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;
- 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.

1.5.2 Board Charter

The Board Charter outlines the main corporate governance practices that are in place for the Unemployment Insurance Board and to which the Board, committees and management collectively are committed. The conduct of the Board is also governed by the Constitution. The Charter sets out the role, responsibilities, structures and processes of the Board of the Unemployment Insurance Fund.

Governance processes are continuously improving, with the Board Charters and the Board Constitution setting out responsibilities implemented and adhered to in order to achieve the highest standards of corporate governance. The Board has met more than four (4) times during the financial year: four (4) scheduled Board meetings, and two (2) special meetings and one (1) workshop in an effort to deliver on their mandate.

The Board- and Committee Charters have ensured that the Committees are compliant with the Unemployment Insurance Act and Board Constitution. The main objective of the Board Governance and Compliance functions was to assist the Board and its Committees in adopting the most appropriate governance standards for the Fund.

The Minister of Labour re-appointed the chairperson of the Board with effect from 1 February 2016 for a period of three (3) years in accordance with the composition of the Board.



“ Governance processes are continuously improving, with the Board Charters and the Board Constitution setting out responsibilities implemented and adhered to in order to achieve the highest standards of corporate governance.”

Board members (01.11.2014 – 31.10.2017)
Meetings attended April 2017 to September 2017

Name	Designation	Date Appointed	Date Term ended	Qualifications	Area of Expertise	Board meeting	Investment Committee	FAC	NAC	No of Meetings Attended
Mr W Nzimande	Chairperson	24 February 2016	N/A	B Admin	Management and leadership	04	N/A	N/A	N/A	04
Mr T Franks	Board Member	01 November 2014	31 October 2018	Legal Labour Law Certificate IMMSA Arbitration Certificate CCMA Certificate HRM Certificate Project Management Training	N/A	04	N/A	N/A	N/A	04
Mr NM Vermeulen	Board Member	01 November 2014	N/A	B.Social. Science & Bcom (Hon)	Financial and Business Administration	04	N/A	02	N/A	06
Mr A Crawford	Board Member	01 November 2014	N/A	BCom (Hon), CFPR Post Graduate Certificate in Social Security and Pensions	Social security and pension	02	02	N/A	N/A	04
Mr G Strauss	Board Member	01 November 2014	N/A	Certificates CCMA, Financials and Financial Accounting	Financial Management; Law, Accounting	05	02	02	N/A	09
Mr J Mahlangu	Board Member	01 November 2014	N/A	N/A	N/A	03	02	01	01	07
Adv E Nwedo	Board Member	01 November 2014	N/A	Masters in Labour Law and Employment Relations. Awarded a Merit Bursary for Academic Excellence. Magister Philosophiae (M. Phil)	N/A	04	N/A	02	01	07
Mr D Mthlane	Board Member	01 November 2014	N/A	N/A	Experience in management, evaluation and knowledge management, monitoring and evaluation, and Good analytical skills and knowledge in planning; strong financial accounting and management.	03	02	N/A		05
Mr N Nxele	Board Member	01 November 2014	N/A	National Diploma Taxation B Comm Accounting	Financial management, Taxation	03	01	00		04

Name	Designation	Date Appointed	Date Term ended	Qualifications	Area of Expertise	Board meeting	Investment Committee	FAC	NAC	No of Meetings Attended
Ms L Kganyago	Board Member	01 November 2014	N/A	Project Man	Community Development Programmes & Training	04	N/A	02	00	06
Mr T Tshefuta	Board Member	01 November 2014	N/A	B.A. (Public Administration and Politics)	Public Administration, Political Science, Economics, Industrial & Organizational Psychology, Business Management, Sociology,	03	01	02	N/A	06
Mr M Macikama	Board Member	01 November 2014	N/A	Higher Diploma in Tax Law (H. Dip. Tax) B.Com. (Accounting)		01	00	02	N/A	03
Mr T Maruping	UIC/Board Member	01 November 2017	N/A	Masters in Information and Knowledge Management.	Business Analysis Operational. Analysis Metrics design Operations and Programme management. Business Process Innovation and Improvement. Research and Knowledge Management. Innovation Value Creation Business Intelligence Organizational Excellence Lean Six Sigma and Lean Manufacturing Business Scorecard development Mentoring and Coaching Job Interview preparation	03	02	02	N/A	07
Mr D Hlatshwayo	Audit Committee Chairperson	5 March 2015	22 August 2017	CD (SA), CA (SA) MBA, CTA,B Compt (Hons)	N/A	02	N/A	N/A	N/A	02

Board members (01.11.2017 – 31.10.2020)
Meetings attended November 2017 to March 2018

Name	Designation	Date Appointed	Qualifications	Area of Expertise	Board meeting	IC	FAC	LAP	NAC	No of Meetings Attended
Mr W Nzimande	Chairperson	24 February 2016	B Admin	Management and leadership	03	N/A	N/A	N/A	N/A	03
Mr M Mchunu	Board Member	01 November 2017	Admitted Attorney of the High Court of South Africa. Bachelors in Law (LLB LAW UKZN)	N/A	03	01	01	01		06
Mr M Matshani	Board Member	01 November 2017	N/A	N/A	02	N/A	01	01	00	04
Adv E Nwedo	Board Member	01 November 2017	BCom (Hon), CFPR Post Graduate Certificate in Social Security and Pensions	Social security and pension	03	01	N/A	N/A	00	04
Mr J Mahlangu	Board Member	01 November 2017	Certificates CCMA, Financials and Financial Accounting	Financial Management, Law, Accounting	02	00	01	00	00	03
Mr T Franks	Board Member	01 November 2017	Legal Labour Law Certificate IMMSA Arbitration Certificate CCMA Certificate HRM Certificate Project Management Training	Mr T Franks	03	N/A	01	N/A		04
Mr D Maphoto	Board member	01 November 2017	N/A	N/A	03	01	N/A	01	00	05
Mr D Mthlane	Board Member	01 November 2017	N/A	Experience in management, evaluation and knowledge management, monitoring and evaluation, and Good analytical skills and knowledge in planning; strong financial accounting and management.	01	01	01	N/A	00	03
Ms L Kganyago	Board Member	01 November 2017	Project Management	Community Dev. Programmes & Training	03	N/A	01	01	N/A	05

Name	Designation	Date Appointed	Qualifications	Area of Expertise	Board meeting	IC	FAC	LAP	NAC	No of Meetings Attended
Mr T Tshafuta	Board Member	01 November 2017	B.A. (Public Administration and Politics)	Public Administration, Political Science, Economics, Industrial & Organizational Psychology, Business Management, Sociology	03	01	N/A	01	N/A	05
Mr M Macikama	Board Member	01 November 2017	Higher Diploma in Tax Law (H. Dip. Tax) B. Comm: Accounting		02	01	01	01		05
Mr T Maruping	Board Member	01 November 2017	Masters in Information and Knowledge Management, University of Stellenbosch, 2012.	Business Analysis Operational Analysis Metrics design Operations and Programme management Business Process Innovation and Improvement Research and Knowledge Management Innovation Value Creation Business Intelligence Organizational Excellence Lean Six Sigma and Lean Manufacturing Business Scorecard development Mentoring and Coaching Job Interview preparation	02	01	00	01	N/A	04
Ms D Botha	Acting Audit Committee Chairperson		Certified Internal Auditor Certification in Risk Management Assurance Executive MBA Executive Development Programme Certified Information System Auditor Higher Diploma in Computer Auditing Bachelor of Theology (Hons)	ICT and Auditing	03	N/A	N/A	N/A	N/A	03

1.6 Board Committees

The Board continued to demonstrate its support and commitment to the Enterprise Risk Management (ERM); investments, audit and financials and recognise the importance of a strong control environment in managing risks, compliance, improving performance, enhancing governance, and strengthening the institutional capacity.

The Board and management's persistent and concerted effort to have a strong control environment have provided growing evidence that the culture of control is taking root as evidenced by the sustained improvement in the internal control environment, particularly financial controls.

The Unemployment Insurance Board has established 4 committees that will advise the Board on specific matters related to the work of that committee. The committees established by the Board are:

Financial Advisory Committee (FAC)

The committee provides oversight on financial management of the UIF and considers all financial reports to be presented to the Board and makes recommendations to both the Board and management.

Investment Committee (IC)

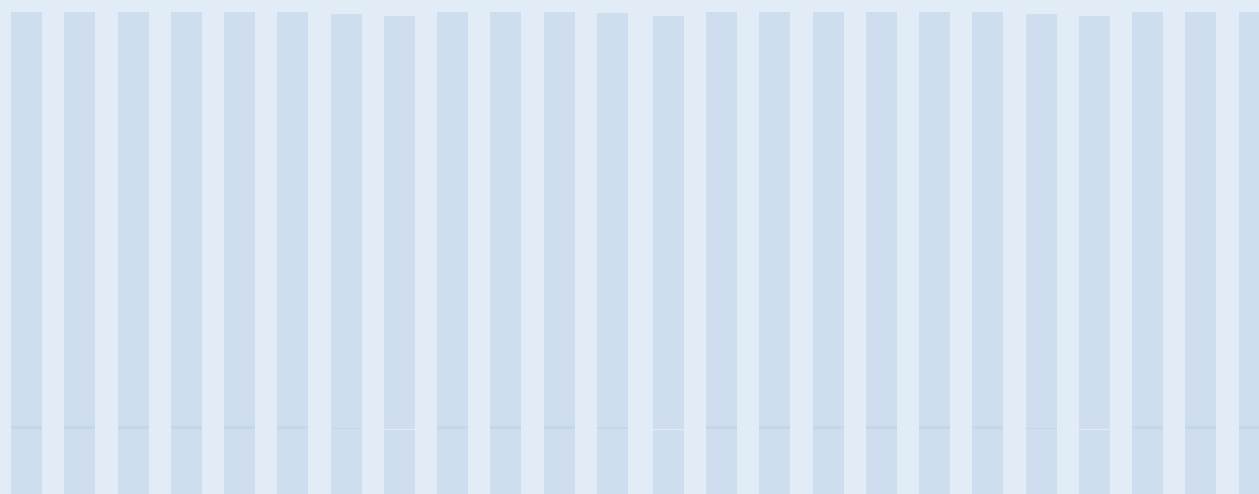
The committee provides oversight on investment management of the UIF and considers all investment performance and management reports to be presented to the Board and makes recommendations to both the Board and management.





Labour Activation Programme Committee (LAPC)

This is a new Committee established during 2017 with its mandate being to provide guidance and oversight over Labour Activation Programme and projects. It considers programme performance, all projects and activities and makes recommendations to the Board and management.





National Appeals Committee (NAC)

The committee considers appeals of aggrieved beneficiaries with regards to the refusal of their claims applications. One NAC meeting was held. They are supported by Regional Appeals Committees (RAC) set up in the provincial offices. Nine RAC meetings were held. In addition to these committees, the UIF Board also has members representing the Board in the Audit and Risk Committee of the UIF.



 Committee	 No. of meetings held	 No. of members	 Name of members
FAC	02	09	Mr J Mahlangu Mr G Strauss Mr E Nwedo Mr N Vermeulen Mr TT Tshfuta Ms L Kganyago Mr M Macikama Mr N Nxele Mr T Maruping
Investment Committee	03	08	Mr J Mahlangu Mr G Strauss Mr A Crawford Mr TT Tshfuta Mr PSD Mthlale Mr Mvuyisi Macikama Mr N Nxele Mr T Maruping
Board	05	14	Mr W Nzimande Mr D Hlatshwayo Mr T Franks Mr J Mahlangu Mr G Strauss Adv. E Nwedo Mr N Vermeulen Mr A Crawford Mr TT Tshfuta Ms L Kganyago Mr D Mthlale Mr M Macikama Mr N Nxele Mr T Maruping
National Appeals	01	03	Mr J Mahlangu Ms L Kganyago Adv E Nwedo
LAP Committee	01	03	Adv Nwedo Mr Macikama Mr Mahlangu
Audit Committee	08	07	Mr D Hlatshwayo Mr NMW Vermeulen Mr G Strauss Ms D Botha Dr P Dala Mr M Macikama Mr T Tshfuta

Committee members on the new Board:

 Committee	 No. of meetings held	 No. of members	 Name of members
FAC	01	07	Mr M Mchunu Adv M Matshani Mr J Mahlangu Mr T Franks Ms L Kganyago Mr D Mthlane Mr M Macikama
Investment Committee	01	07	Adv E Nwedo Mr M Mchunu Mr J Mahlangu Mr D Maphoto Mr T Tshefuta Mr D Mthlane Mr M Macikama
Board	02	11	Mr W Nzimande Mr J Mahlangu Mr T Franks Mr D Maphoto Mr M Mchunu AdvM Matshani Adv E Nwedo Mr D Mthlane Ms L Kganyago Mr T Tshefuta Mr M Macikama
National Appeals	00	05	Adv E Nwedo Adv M Matshani Mr J Mahlangu Mr D Maphoto Mr D Mthlane
LAP Committee	01	07	Mr M Mchunu Adv M Matshani Mr J Mahlangu Mr D Maphoto Ms L Kganyago Mr T Tshefuta Mr M Macikama
Audit Committee	01	04	Ms D Botha Dr P Dala Adv E Nwedo Ms L Kganyago

5.4 Remuneration of Board members

A member of the Board or its committees who is not in the full-time employment of the State shall be paid remuneration and allowances determined by the Minister in terms of the Treasury Instructions issued by the National Treasury. Remuneration of Board members is determined in terms of Section 52 of the Unemployment Insurance Act (No 63 of 2001) and the Minister of Labour has determined the category classification.

Non-Executive Board Member (past and present) fees

Number	Board Members	2018			2017		
		Fees for services	Expense allowances	Total	Fees for services	Expense allowances	Total
1	Crawford A	R 24 064.74	R 2 301.97	R 26 366.71	R 32 589.00	R 3 272.09	R 35 861.09
2	Franks A	-	-	-	R 3 408.00	R 146.72	R 3 554.72
3	Kganyago L	R 56 289.00	R 30.00	R 56 319.00	R 38 127.00	R 1 133.48	R 39 260.48
4	Mahlangu J	R 21 312.78	R 3 067.46	R 24 380.24	R 24 330.28	R 4 846.58	R 29 176.86
5	Mthlane D	R 34 007.58	R 30 187.70	R 64 195.28	R 51 120.00	R 38 308.43	R 89 428.43
6	Nwendo NR	R 66 832.50	R 6 834.76	R 73 667.26	R 57 510.00	R 6 925.68	R 64 435.68
7	Nzimande WM	R 58 069.50	-	R 58 069.50	R 50 424.00	-	R 50 424.00
8	Strauss GH	R 133 693.80	R 59 926.20	R 193 620.00	R 150 294.00	R 58 465.75	R 208 759.75
9	Tshefuta T	R 66 941.00	R 91 046.15	R 157 987.15	R 54 528.00	R 60 036.20	R 114 564.20
10	Maphotho D	R 15 549.00	R 1 052.92	R 16 601.92	-	-	-
11	Matshani M	R 13 632.00	R 1 601.75	R 15 233.75	-	-	-
12	Mchunu M	R 15 123.00	R 684.02	R 15 807.02	-	-	-
13	Vermeulen NMW	R 90 893.58	R 3 792.74	R 94 686.32	R 123 102.42	R 4 053.24	R 127 155.66
Audit Committee							
	Botha D	R 214 985.85	R 1 492.18	R 216 478.03	R 58 164.00	R 347.02	R 58 511.02
	Hlatshwayo D	R 200 851.40	R 4 667.71	R 205 519.11	R 372 842.50	R 8 354.52	R 381 197.02
	Dala P	R 167 888.88	R 3 177.94	R 171 066.82	-	-	-
Total		R 583 726.13	R 9 337.83	R 593 063.96	R 431 006.50	R 8 701.54	R 439 708.04

2. RISK MANAGEMENT

2.1 Introduction

The purpose of this report is to provide the Audit and Risk Committee and the Unemployment Insurance Commissioner with the performance of the risk management directorate for the financial year 2017/18.

2.2 Risk Governance

The purpose of Risk Governance is to provide the Minister, Deputy Minister, the Director General and the executive Committee (DEXCOM) of the Department of Labour (DoL) with the progress of the work performed by the Risk Management Committee of the Department for the year 2017/18.

The UIF Board has promoted the risk culture and has set the tone at the top. The Board in discharging its risk management responsibilities, it is supported by the Financial Advisory Committee and Audit and Risk Committee, to ensure that the Fund has implemented an effective Risk Management Policy and the Risk Management Strategy.

The Board has furthermore, demonstrated its governance oversight role by ensuring full implementation of the risk management strategy in relation to the strategic risk profile of the Unemployment Insurance Fund.

2.4 Key Objectives of Risk Management

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

Section 51(1)(a)(i) of the Public Finance Management Act (Act 1 of 1999 amended by Act 29 of 1999), requires that " An Accounting Authority for the public entity must ensure that the public entity has and maintains effective , efficient and transparent systems of financial and risk management and internal controls".

2.3 Risk Committee

The Risk Management of the department consist of both internal and external members and are chaired by an independent chairperson. The Chairperson of the Risk Management Committee from both the Unemployment Insurance Fund (UIF) and the Compensation Fund (CF) directly report progress on the risk management to the National Risk Committee. This is done in creating synergy across all departmental risk committees.

2.2.1 Key Objectives of Risk Management

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

Section 51(1)(a)(l) of the Public Finance Management Act (Act 1 of 1999 amended by Act 29 of 1999), requires that " An Accounting Authority for the public entity must ensure that the public entity has and maintains effective , efficient and transparent systems of financial and risk management and internal controls".

2.2.2 Minimising conflict of interest

All officials of the UIF are required to declare any business interests and remunerative work outside the public service annually. Approval to carry out remunerative work outside the public service is approved by the Executive Authority of the Fund. Senior managers are also obliged to declare their business interest, additional remunerative work, receipts of gifts and sponsorship.

Members of management who serve on procurement committees are required to declare their interests in every meeting. Members who declare a conflict of interest are excused from the proceedings when decisions are to be taken.

Supply Chain Management officials are vetted and are required to declare their interests as well as gifts obtained from service providers during the conduct of their business. The conduct of officials is guided by the Code of Conduct in the Public Service.

2.2.3 Code of conduct

The UIF adheres to the public service Code of Conduct as issued by the Department of Public Service and Administration. The code is shared with officials of the UIF and they are educated on its content.

The Department of Labour develops human resources management policies for the department and its Schedule 3A public entities, included in these are policies on discipline and grievances. When the code is breached, the relevant policy directives are followed.

3.2.4 Health safety and environmental issues

The Unemployment Insurance Fund as an employer considers its employees to be its most valuable asset and undertakes to safeguard them through providing and maintaining, as far as reasonable, a working environment that is safe and without risk to their health.

A Health and Safety Operational Risk Assessment is conducted regularly to identify risk exposures applicable to the Fund, and to assist management to identifying risk factors that have an impact on the achievement of the strategic objectives and to give a realistic perspective of material risks facing the Fund. Management commitments to address the findings have ensured a successful system of health and safety. Health and safety inspections are conducted regularly and monthly reports are consolidated and presented to management and to the Health and Safety Committee of the Fund.

3.2.5 Company /board secretary

In terms of the Unemployment Insurance Act (Act 63 of 2001) 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.

3.2.6 Scopa resolutions

There were no SCOPA resolutions adopted in financial year 2017/18.

2.5 Risk Management Strategies

Risk management involves the identification of the key risks facing the Fund and the implementation of controls to mitigate them. The Fund regularly identifies emerging risks and prioritises high-risk areas, according to the risk rating guidelines based on the impact and likelihood. High-risk areas are further analysed to identify potential root causes. This allows the Fund to better understand the context in which risks occur and identify probable areas for risk mitigation and organisational control.

Risk treatments used to mitigate the identified risks are enhanced on an on-going basis. The top management of the Fund considers the strategic risks when formulating strategic objectives. The Fund's approach towards effective risk management is underpinned by three key principles:

a. Culture

We seek to build a strong risk management culture by setting the appropriate tone at the top, promoting awareness, ownership and proactive management of key risks and promoting accountability.

b. Structure

We seek to put in place an appropriate organisational structure that promotes good corporate governance, provides for proper segregation of duties, defines clearly risk taking responsibility and promotes ownership and accountability for risk taking.

c. Process

We seek to implement robust processes and systems for effective identification, rating, mitigation, monitoring and management of risks.

Table illustrates the key risks impacting the Fund

Key Strategic Objectives	Risk Description	Mitigation controls
Improved Governance	Fraud and Corruption	The Fund has co-sourced a forensic audit partner to assist in curbing the scourge of fraud.
Improved service delivery	Non-compliance with the UI Act and UI Contributions Act.	Enforcement of compliance by the DOL inspectorate and SARS. Communication strategy is implemented to encourage compliance by employers and employees.
Improved financial management	Inadequate collection of revenue	SARS collection on behalf of the contributions. The Fund has a debt collection unit. The Fund has an approved compliance strategy.
Fund Poverty Alleviation schemes	Inadequate utilisation of Training Layoff Scheme (TLS) funding.	The Fund in collaboration with CCMA assesses companies in distress and refers them to available schemes. The Fund is continuously holding advocacy sessions to increase utilisation of Training lay Off schemes.

a. Risk Assessment and Monitoring

The Unemployment Insurance Fund risk assessment process is performed annually. The risk assessment was conducted during the first quarter (01 April 2017 – 30 June 2017) according to the Department's strategic and operational plan, sustainable monitoring process is conducted on the second quarter (01 July 2017 - 30 September 2017).

A number of project risks were identified and the risk registers were compiled and monitored on a quarterly basis. These project risks were presented on various oversight structures.

b. Effectiveness of risk management

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

c. Fraud Prevention , Detection and Investigation

Fraud Investigations unit assists the Fund by investigating potential fraud and possible criminal activities. The Fund has a Fraud Prevention Strategy/Plan. The purpose of the strategy is to:

- ✓ Create a culture which is intolerable to fraud and corruption
- ✓ Detect Fraud and Corruption
- ✓ Conduct Investigations
- ✓ Provide Resolution

The Fund has conducted a Fraud Risk Assessment under the current financial year. Areas of improvement were identified as a result risk projects were undertaken to curb the scourge of fraud. The Fund has also conducted fraud and risk awareness campaigns internally and in provincial offices including labour centres.

The table below illustrates a consolidated summary of cases reported during this financial year.

CATEGORY	CASES RECEIVED	CASES FINALISED	OUTSTANDING	PERCENTAGE
Carried Over	1	1	0	100 %
Work & Draw	1	1	0	100 %
Disputed Declaration	13	13	0	100 %
Fraud Related	20	19	1	95 %
Duplicate Banking Details	0	0	0	0%
TOTAL	35	34	1	97.15 %

During the 2017/18 financial year, the unit received 34 cases, 1 case was carried over from the previous financial year and in total 35 cases were received. A total number of 34 cases were finalised and 1 is outstanding. Overall finalisation rate of 97.15%.

2.6 Risk Governance

The UIF Board is an advisory board and the responsibilities of promoting the risk culture and monitoring risk management has been delegated to the Audit and Risk Committee. Risk and Audit committee's reports are also presented to the UIF Board and Financial Advisory Committee for inputs to ensure that the Fund has covered all the risks. The Chairperson of the Audit Committee presents his report to the National Risk Committee of the Department of the Labour. The National Risk Committee is chaired by an independent person and the accounting officer is the member to the committee.

2.7 Audit and Risk Committee

Report of the Audit and Risk Committee for the year ended 31 March 2018

Introduction

The Audit and Risk Committee is established as a statutory committee in terms of section 38 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Committee is pleased to present its report for the financial year ending 31 March 2018. This report is presented in accordance with the requirements of the Public Finance Management Act 1 of 1999 (PFMA), as amended and in line with the National Treasury Guidelines.

Audit and Risk Committee Responsibilities

The Audit and Risk Committee has independently and objectively discharged its oversight responsibilities in respect of activities and operations of the Unemployment Insurance Fund in compliance with Sections 76 and 77 of the Public Finance Management Act (PFMA). Furthermore, we have adopted appropriate formal terms of reference in an Audit and Risk Committee Charter; we have discharged all our responsibilities as contained therein and regulated our affairs in compliance with this Charter.

Committee Meetings

The UIF has a constituted Audit and Risk Committee, which should be comprised of three independent non-executive representatives and two additional members nominated by the UIF Advisory Board to serve as Audit and Risk Committee members. The Chairman resigned on 22 August 2017 and the terms of two members came to an end on 30 October 2017. Consequently, the meeting of 16 January 2018 was inquorate and therefore two members of the Board, were co-opted for the subsequent meeting. In January 2018, two new members were nominated by the Board to serve on the Committee and an additional position has been advertised for a Chartered Accountant.

The Audit and Risk Committee Charter stipulates that a minimum of four meetings must be held in a financial year. During the 2017/18 financial year 7 (seven) Audit and Risk Committee meetings were held on 29 May 2017 and continued on 30 May 2017, 10 July 2017, 28 July 2017, 04 August 2017, 21 November 2017, 16 January 2018 and 23 February 2018 respectively.

Name	Qualification	Members	Date Appointed	Date Resigned	No. of meetings attended	Comments
Mr. LED Hlatshwayo	CD (SA) CA (SA) MBA, CTA, B Compt (Hons)	External	05 May 2014	22 August 2017	4	Chairperson Independent non-executive Resigned
Ms D Botha	CD (SA), CIA, CRMA, CISA, Executive MBA (UCT), Higher Diploma in Computer Audit	External	22 January 2016	N/A	8	Acting Chairperson Independent non-executive.
Dr P Dala	PhD, CISA, CRISC, CISM, CGEIT, CEH, CHFI & LA27001, Masters of Information Technology, Bsc Computer Science, Bachelor of Information Technology.	External	24 February 2017	N/A	8	Independent non-executive.
Mr N Vermeulen	B Social Science Bcom (Hon)	Board	27 February 2015	N/A	4	Nominated by the Board to the committee Term expired.
Mr G Strauss	Certificates CCMA, Financials and Financial Accounting	Board	23 January 2015	N/A	4	Nominated by the Board to the committee. Term expired.
Adv E Nwedo	Masters in Labour Law and Employment Relations. Awarded a Merit Bursary for Academic Excellence. Magister Philosophiae (M. Phil)	Board Member	26 January 2018	N/A	1	Nominated by the Board to the committee.
Ms L Kganyago	Project Management.	Board Member	26 January 2018	N/A	1	Nominated by the Board to the committee.

Name	Qualification	Members	Date Appointed	Date Resigned	No. of meetings attended	Comments
Mr M Macikama	Higher Diploma in Tax Law (H. Dip. Tax) B.Comm: Accounting.	Board Member	Co-opted from the Board for one meeting on 16 January 2018.	N/A	1	Co-opted from the Board for one meeting on 16 January 2018.
Mr T Tshfuta	B.A. (Public Administration and Politics).	Board Member	Co-opted from the Board for one meeting on 16 January 2018	N/A	1	Co-opted from the Board for one meeting on 16 January 2018.

Internal Control environment

In line with the PFMA, Treasury Regulations and best practice on corporate governance requirements, Internal Audit provides the Audit and Risk Committee and management with reports and assurance that the internal controls are adequate and effective. This is achieved by means of risk management processes, as well as the identification of corrective actions and recommendations to enhance the control environment.

In the 2016/2017 financial year the UIF received a "disclaimer" from the Auditor-General (AGSA) on the annual financial statements and the Committee was concerned about the sudden regression in the audit outcome when, at the same time, service delivery and supply chain management were also on the downward trend.

A project was initiated in the Office of the Commissioner to address the AGSA's findings and prevent recurrence. The Audit and Risk Committee is satisfied that management has taken corrective action through this project to address the identified financial risks across the organization and to ensure that action plans are implemented for the controls deficiencies identified. In addition, management regularly reviews the organisation's state of readiness for the statutory audit to timeously identify gaps and strengthen the control environment and internal control systems.

However through management and internal audit reports, significant issues were raised with regard to service delivery, performance information, to timeous payments of service providers as required by the PFMA and to supply chain management, which continues to impede service delivery.

The Audit and Risk Committee therefore concludes that good progress has been made particularly on the financial statements. However, the control environment at the UIF still requires improvement to ensure achievement of organizational objectives.

Internal Audit

The Fund has an Internal Audit function which provides independent and objective assurance and consulting services relating to controls, governance and risk management.

Based on the audit work performed and reports presented to the Committee by the Internal Audit function, the Committee is satisfied that Internal Audit remains independent and has operated effectively for the period under review, including in conducting follow up audits where capacity allows. Internal Audit has addressed the risks pertinent to the Fund in its scope, with the exception of ICT audits which require more focus, and for which a service provider has recently been appointed.

All key outputs for the Internal Audit Activity were achieved during the year except for the continuous monitoring of the remediation of audit findings. This was due to capacity constraints and this responsibility has recently moved to the Office of the Commissioner.

Governance

It is the Audit and Risk Committee's view that the overall governance processes within the UIF have improved since the previous year but still require focus and discipline to reach optimum levels, particularly on performance monitoring, supply chain management and ICT. These areas are pivotal in supporting service delivery and the UIF's mandate.

The committee is concerned about their inability to provide adequate and effective oversight of ICT partly due to ineffective quarterly reporting and management not providing the committee with an ICT universe showing clear delineation of responsibilities between the Department of Labour and its entities. A combined ICT governance framework aligned to the DPSA Corporate Governance of ICT policy framework was defined and adopted. A Department of Labour, UIF and Compensation Fund ICT Steering Committee has recently been established which, together with the centralization of ICT procurement recently announced by the Director-General, should help with cost-savings, ensure a common systems architecture and appropriate synergies and improve ICT governance.

The continued lack of progress and inadequate reporting, specifically from a project governance perspective on the SAP implementation project, remains a concern as the system is key to service delivery. The delay is due to an investigation into the procurement process whereby the implementation service provider was appointed.

The Committee has also been unable to obtain adequate assurance that Business Continuity Management is cohesive and well tested and, together with the Department of Labour and Compensation Fund Audit Committees, has requested that Business Continuity Planning and Disaster Recovery be integrated across the entities.

With regard to the UIF's status of compliance with applicable legislation, a compliance universe has recently been presented to the Committee but members were not satisfied that it was complete. This will be an area of focus in the next financial year.

Risk Management

The Unemployment Insurance Fund has a risk management division in place as per the PFMA. The Audit and Risk committee has evaluated risk management reports during its meetings and the committee is of the opinion that risk management processes in the Fund still need maturation, line management need to take ownership of their risks and operational, project and fraud risk assessments need to be fully implemented.

A risk committee, focusing on risk management, fraud awareness, combined assurance and business continuity has been established and should provide the Audit and Risk Committee with quarterly reports. The level of reporting during the current year has not been satisfactory but a Chief Risk Officer and an independent Risk Committee Chairman have recently been appointed.

The quality of management and monthly/quarterly reports submitted in terms of the PFMA and Division of Revenue Act.

The Audit and Risk Committee was presented with and discussed management reports during the year. The Audit and Risk Committee is satisfied that the quality of management reports prepared and presented by management has been improving but quality assurance processes and timeous presentation of reports to the Committee still need focus.

Evaluation of the Financial Statements

The 2016/2017 financial year's "disclaimer" from the Auditor-General on the annual financial statements was due, inter alia, to unlisted investments, lack of supporting documentation to substantiate the accounting for investment revenue at fair value, related party disclosure and the accuracy of the cash flow statement.

The project in the Office of the Commissioner was initiated to address all the Auditor-General's findings, a management steering committee was established, the Accountant-General and the Accounting Standards Board were consulted and a service provider was appointed to assist with consolidations both for the 2016/2017 and for the 2017/2018 financial years. As a result, the prior year's financial statements have had to be restated and the AGSA has been regularly consulted as to the approach. The Committee has closely monitored progress throughout the year.

The 2017/18 Annual Financial Statements were reviewed by the Committee and recommended to the Advisory Board for approval and submission to the Auditor-General and National Treasury.

As stated above, there were significant improvements in the quality of the Annual Financial Statements presented and the Committee was delighted with the Auditor-General's final audit opinion for the 2017/2018 year of "unqualified with findings" for which we congratulate the Commissioner and his team.

Performance Information Review

The committee reviewed the entity's performance information and was not satisfied with the achievements against performance indicators and targets as outlined in the Annual Performance Plan, with some exceptions. In addition, the Committee was concerned with the effectiveness of management controls in some areas to ensure that performance information reported is accurate, valid and complete with the relevant supporting evidence.

Management were requested to clarify performance metrics, enhance performance monitoring controls and take prompt corrective action where necessary. Where there are dependencies on external parties, management were asked to actively engage with

these stakeholders to improve service delivery, including for the roll out of the queue management system, review of death benefit processes and the integration of systems. Internal Audit have been requested to audit performance reporting in the next financial year.

Subsequent to the Committee's review and some interventions by management, the Auditor-General's reviewed the Fund's reporting on performance information and found it to be "unqualified" in all areas.

The Committee noted that effective monitoring of the ICT operations is required to address some key areas of concern, being:

- Uniform and coordinated implementation of ICT initiatives across the Department of Labour and its entities in support of effective of service delivery and in line with the Department's Enterprise Architecture.
- The transfer of the data centre from the old WK Nkomo building to a new site.
- The resolution of the UIF SAP implementation project with Accenture, the appointment of a new SAP service provider and the utilisation of the purchased SAP licences.
- Cybersecurity.

Internal Audit will, in collaboration with the Internal Audit Activities of the Department of Labour and the Compensation Fund, increase their focus on ICT.

Combined Assurance

During the reporting period, the coordination of the Auditor-General, Risk Management and Internal Audit have assisted the Audit and Risk Committee in fulfilling its responsibilities. The Committee has reiterated however that management, as the first line of defense, must continue to enhance their focus on governance, risk management and controls.

The Audit and Risk Committee held regular separate meetings with management, Internal Audit, Risk Management and the Auditor-General to enable them to raise any matters of concern with the Committee confidentially.

In closing I would like to thank the Auditor-General team for the external audit and the Commissioner and his team, Internal Audit, management, and members of the Audit and Risk Committee for their hardwork over the past year and their commitment to building a rigorous governance, risk and control environment, to help fulfill th UIF's mandate of providing support for the unemployed.

We trust it will continue to bear fruit.



Ms DA Botha CD (SA), CIA

Acting Chairman of the Audit and Risk Committee

Date: 29 July 2018

3. INTERNAL CONTROL UNIT

3.1 Key Activities and Objectives of Internal Audit

Internal Audit (IA) is an independent, objective assurance and consulting activity designed to add value and improve UIF's operations. The objective of the IA function is to assist UIF to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of internal controls, risk management and governance processes.

3.2 The Internal Audit (IA) function reviews the following:

- The reliability and integrity of financial and operational information;
- Compliance with laws, regulations, policies and contracts;
- Safeguarding of assets;
- The economical and efficient use of resources;
- Establishment of operational goals and objectives; and
- Appropriateness of processes for the achievement of objectives.

According to the approved annual plan, internal audit was expected to complete 50 audits by 31 March 2018.

Summary of work done:

Type of audits	Reports issued	Number
Regulatory Audits	Yes	23
Cyclical Audits	Yes	5
Follow up Audits	Yes	5
Consulting Services	Yes	10
IT Audits	Yes	6
TOTAL		49

During the year internal audit received Nine (9) Adhoc requests from management, Auditor-General South Africa and the Audit and Risk Committee. The audits were completed and reported before the 31st March 2018; however there was a limitation of scope on the following audit due to unavailability of information and management.

- Investment management.

3.3 Internal audit overall assessment on the internal controls, Risk Management and Governance Processes are as follows:

3.3.1 Internal Controls

The opinion is an accumulative view of audits performed as allocated during the 2017/18 financial year. In our opinion, the overall control environment of UIF is adequate and partly effective, with some issues noted that requires management's immediate attention. During provincial follow up audits in last quarter of the years ended 31st March 2018, we have noted a significant implementation of recommendations and management action plans.

Key issues which require management's immediate attention:

- Inadequate management assurance as the first line of defence in combine assurance.
- Investment Management.
 - Lack of monitoring;
 - Proper controls and evaluation of reports by management at UIF;
 - Poor record keeping which result in information not available for audit purposes; and
 - Lack clear processes of obtaining information from Public Investment Corporation (PIC).

3.3.2 Risk Management

In our opinion, the risk management within the UIF is partly inadequate. Although there were no Risk Management audits conducted during the 2017/18 financial year, there are significant areas that need improvement. Strategic risk assessments are not conducted timeously, and not aligned with the organisation's strategy, APP and the Budget processes, which could result in some risks not funded or mitigated and also affect the development of the Internal Audit. Risk committee requires improvement as it only met once to address risk management matters.

3.3.3 Governance Processes

During the 2017/18 financial year the Director- General established an extended Dexcom, which included Deputy Directors from provinces and regional offices. The Dexcom is a platform where management account for the performance of their respective areas. The Mid-term review is also another platform that ensures accountability of management. Management accounts to the Minister on their performance. Lack of clear roles and responsibilities, relationship between head office and provincial offices has been a contributing factor for unsatisfactory service delivery.

3.3.3.1 ICT governance

Key issues which require management's immediate attention:

- The lack of clear roles and responsibilities between DoL and UIF in relation to ICT matters has resulted in lack of accountability at UIF; and
- Lack of adequate structure to evaluate direct, monitor ICT performance and investment which might lead to lack of accountability and alignment of ICT activities and Business.

In our opinion, the overall governance processes within the UIF is adequate, however the efficiency of oversight structures requires improvement.





PART D | HUMAN RESOURCE MANAGEMENT



1. INTRODUCTION

The primary objective of the Human Resource Management and Organisational Effectiveness Directorates is to provide strategic support to the Unemployment Insurance Fund for the fulfillment of its overall strategic goals through implementing initiatives for the organisational continuous improvement that enhance productivity and organisational effectiveness, optimal use of human capital, enhancing skills development, performance management, promoting harmonious labour relations and optimising employee well-being.

2. THE KEY STRATEGIC HUMAN RESOURCE PRIORITIES

The key focus areas for the Directorates were:

- Maintaining the staff establishment;
- Employment of people from designated groups;
- Promoting sound Labour Relations;
- Implementation of Learning and Development initiatives;
- Promoting employee health and wellness;
- Promoting diversity management through gender, disability and youth programmes; and
- Providing advice, implementing change management and employee engagement initiatives.

2.1 Staff establishment

At the end of March 2018, the establishment of the Fund comprised of 574 posts. The percentage of posts filled was 87.1% and 12.9% was vacant. The Fund managed to decrease the vacancy rate by 10% (from 22.9% in the previous financial year to 12.9%).

2.2 Employment Equity

The Fund placed a high priority on employment equity in support of government transformation initiatives. 53.4% employees on the UIF establishment were women, whilst 46.6% were men. 54.2% of senior management posts were filled by women. People with disability represented 3% of the total number of employees.

2.3 Organisational Effectiveness and Organisational Design

The Directorate Organisational Effectiveness piloted the employee engagement strategy which included on-boarding of newly appointed employees. Furthermore, exit interviews were conducted with employees leaving the UIF for the purpose of finding the reasons behind staff turnover, so that relevant interventions can be implemented to curb employees from leaving the fund. The ultimate goal is to ensure that employees of the fund are engaged and remain committed because such employees constitute an investment and possess institutional memory. The Directorate also facilitated the implementation of the performance management system aimed at aligning the key deliverables of employees to the strategic objectives of the Unemployment Insurance Fund and recognizing and rewarding excellent performing employees within the fund, whilst also identifying under performing employees in order to provide them with support. Lastly the Directorate supported other directorates with the development and streamlining of business processes and development of standard operating procedures.

2.3 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. 93% of the grievances received during the financial year were resolved. 100% of misconduct cases were investigated and finalised.

2.4 Skills Development

The Unemployment Insurance Fund implemented learning and development interventions for all employees as part of the Human Resources Development strategy for the 2017/18 financial year. As part of this process a total number of 189 employees were trained in 37 different skills programmes through the implementation of the Workplace Skills Plan.

2.5 Performance Management

The performance management of officials is managed on regular basis, with formal assessments taking place twice a year. During the 2016/17 financial year, 19% of the employees were rewarded with merit awards for above satisfactory performance.

2.6 Employee health and wellness programmes

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

3. KEY CHALLENGES

The vacancy rate was successfully reduced by 10% by the end of the financial year; however, it still remains high at 12.9%. Reducing the vacancy rate to an acceptable level will remain a priority of the Directorate Human Resource Management for the financial year 2018/19.

4. KEY STRATEGIC FOCUS FOR 2018/19

- Reducing and maintaining a low vacancy rate;
- Employment of people from designated groups;
- Workplace exposure through the provision of an internship programme;
- Implementing learning and development initiatives for staff;
- Promoting sound labour relations;
- Promoting employee health and wellness and implementing diversity management programmes;
- Implement change management and employee engagement initiatives; and
- Reviewing of the Labour Centre operating model to improve service delivery and productivity.

5. HUMAN RESOURCE OVERSIGHT STATISTICS

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

Personnel Cost by programme

Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
UIF	19 731 669	1 168 993	5.92	2 981	392

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	1 387	0.12	1	1 387
Senior Management	32 814	2.81	29	1 132
Professional qualified	227 019	19.42	308	737
Skilled	398 595	34.10	914	436
Semi-skilled	500 828	42.84	1 686	297
Unskilled	8 350	0.71	43	194
TOTAL	1 168 993	100.00	2 981	392

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

Personnel cost by salary band for Head Office staff

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	1 371	0.60	1	1 371
Senior Management	25 449	11.19	23	1 106
Professional qualified	69 561	30.59	137	507
Skilled	76 534	33.66	179	427
Semi-skilled	52 940	23.29	151	350
Unskilled	1 520	0.67	9	168
TOTAL	227 375	100.00	500	3 932

Performance Rewards

Programme//activity/ objective	No of employees	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	0	0	1 371	0
Senior Management	1	50 149	25 449	0.02
Professional qualified	15	516 037	69 561	0.22
Skilled	29	582 676	76 534	0.25
Semi-skilled	48	728 463	52 940	0.32
Unskilled	2	19 214	1 520	0.01
TOTAL	95	1 896 539	227 375	0.83

Training Costs

Programme// activity/ objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
UIF	227 375	5 972	2.62	189	31 598

Employment and vacancies

Programme/ activity/ objective	2016/17 No. of Employees	2017/18 Approved Posts	2017/18 No. of Employees	2017/18 Vacancies	% of vacancies
UIF	449	574	500	74	12.9

Programme/activity/ objective	2016/17 No. of Employees	2017/18 Approved Posts	2017/18 No. of Employees	2017/18 Vacancies	% of vacancies
Top Management	1	1	1	0	0
Senior Management	21	24	23	1	0.2
Professional qualified	111	159	137	22	3.8
Skilled	150	205	179	26	4.5
Semi-skilled	157	176	151	25	4.4
Unskilled	9	9	9	0	0
TOTAL	449	574	500	74	12.9

Efforts were made to ensure that posts were filled within 90 days of being vacant. Constrains in the filling of posts were the result of the high number of vacant posts resulting in high volumes of applications received which prolonged the turnaround times. The reduction and maintenance of a low vacancy rate is a key objective of the Fund for 2018/19.

Employment changes

Provide information on changes in employment over the financial year. Turnover rates provide an indication of trends in employment profile of the public entity.

Salary Band	Employment at beginning of period	Appointments	Promotions	Terminations	Employment at end of the period
Top Management	1	0	0	0	1
Senior Management	21	4	1	1	23
Professional qualified	111	21	11	3	137
Skilled	150	28	15	2	179
Semi-skilled	157	11	1	3	151
Unskilled	9	0	0	0	9
Total	449	64	28	9	500

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	4	0.8
Resignation	3	0.6
Dismissal	0	0
Retirement	2	0.4
Ill health	0	0
Expiry of contract	0	0
Other	0	0
Total	9	1.8

The entity did not have a high volume of employees exiting. The turnover rate for the entity was 0.02% at the end of the financial year.

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written warning	4
Dismissal	0

Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	100	43.8	0	1.6	0	2.1	0	8.6
Senior Management	39.1	43.8	0	1.6	4.3	2.1	0	8.6
Professional qualified	50.6	43.8	1.8	1.6	3.1	2.1	2.7	8.6
Skilled	33.5	43.8	0.6	1.6	0.6	2.1	1.1	8.6
Semi-skilled	49.7	43.8	0	1.6	0.7	2.1	2.0	8.6
Unskilled	33.3	43.8	0	1.6	0	2.1	0	8.6
TOTAL	43.2	43.8	0.4	1.6	1.4	2.1	1.6	8.6

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	34.7	0	1.5	0	1.2	0	6.5
Senior Management	43.5	34.7	0	1.5	0	1.2	13.0	6.5
Professional qualified	36.4	34.7	1.8	1.5	0.6	1.2	4.5	6.5
Skilled	36.9	34.7	0.6	1.5	1.7	1.2	25.1	6.5
Semi-skilled	38.4	34.7	4.6	1.5	0.7	1.2	4.0	6.5
Unskilled	66.7	34.7	0	1.5	0	1.2	0	6.5
TOTAL	38.0	34.7	2.2	1.5	1.0	1.2	12.2	6.5

Levels	Disabled Staff		
	Male	Female	
	Current	Current	Target
Top Management	0	0	2.8
Senior Management	0	0.2	2.8
Professional qualified	0.2	0	2.8
Skilled	0.6	0.6	2.8
Semi-skilled	0.6	0.8	2.8
Unskilled	0	0	2.8
TOTAL	1.4	1.6	

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

PART E

REPORT ON BUSINESS OPERATIONS AND OTHER SUPPORT SERVICES



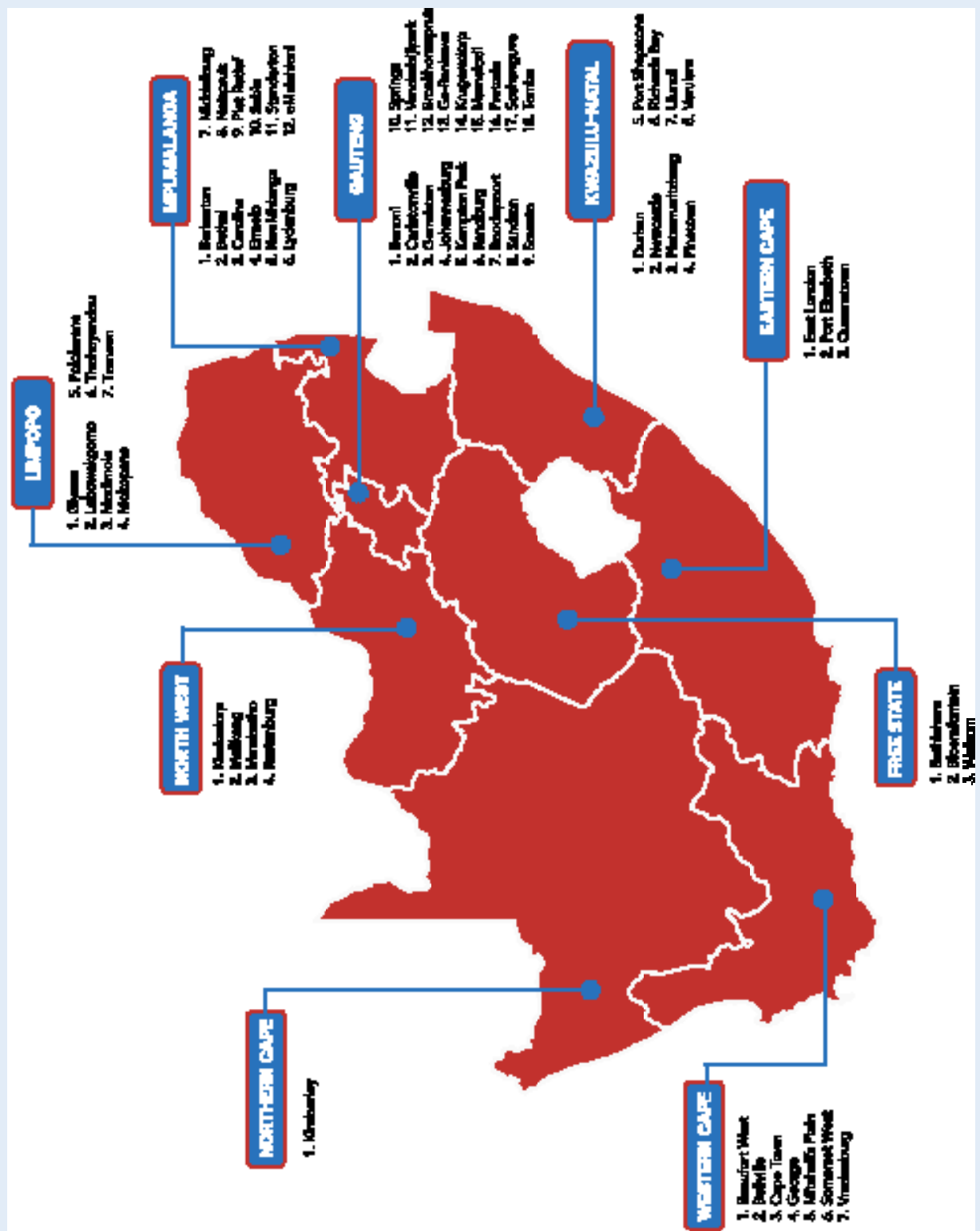
1. BUSINESS OPERATIONS

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

- Management and administration of the UIF database;
- Management and administration of claims assessments and benefits payments;
- Rendering assistance on UIF matters to Provincial offices, Labour 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; and
- Systems administration (Operational systems administration) and role allocation.

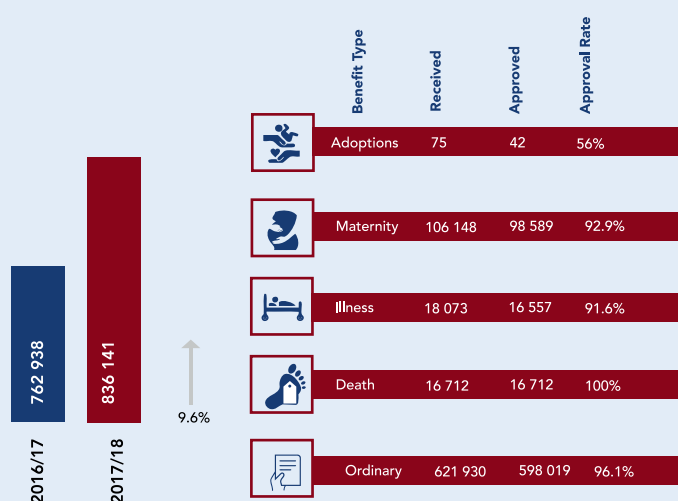
The operations of the Fund are delivered through various Labour Centres, Satellite offices (visiting points) and Mobile units. There are currently 126 Labour Centres that members of the public can access UIF services. These Labour Centres further service almost 823 visiting points within their geographical location. The table below reflects centres which have processing of claims capacity within the various provinces.

2. UIF

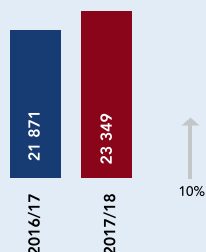


3. BUSINESS OPERATIONS PERFORMANCE HIGHLIGHTS

Claims



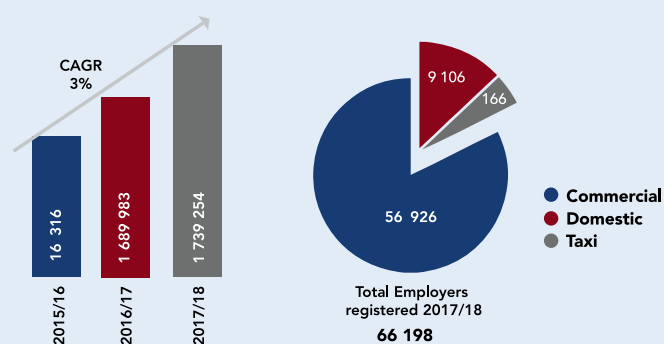
U- Filing Claims



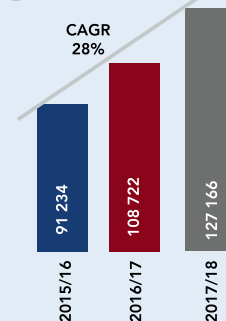
Target	Received	Variance
20 000	23 349	10% above target

Employer

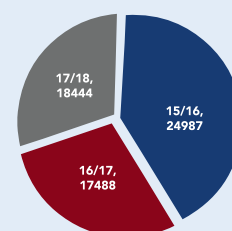
New Employers 17/18



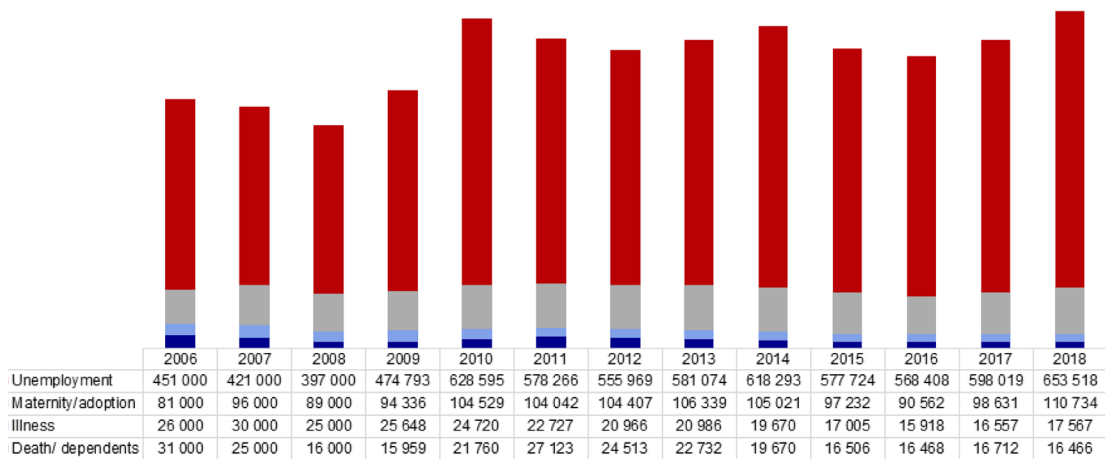
Total U-Filing users



5%

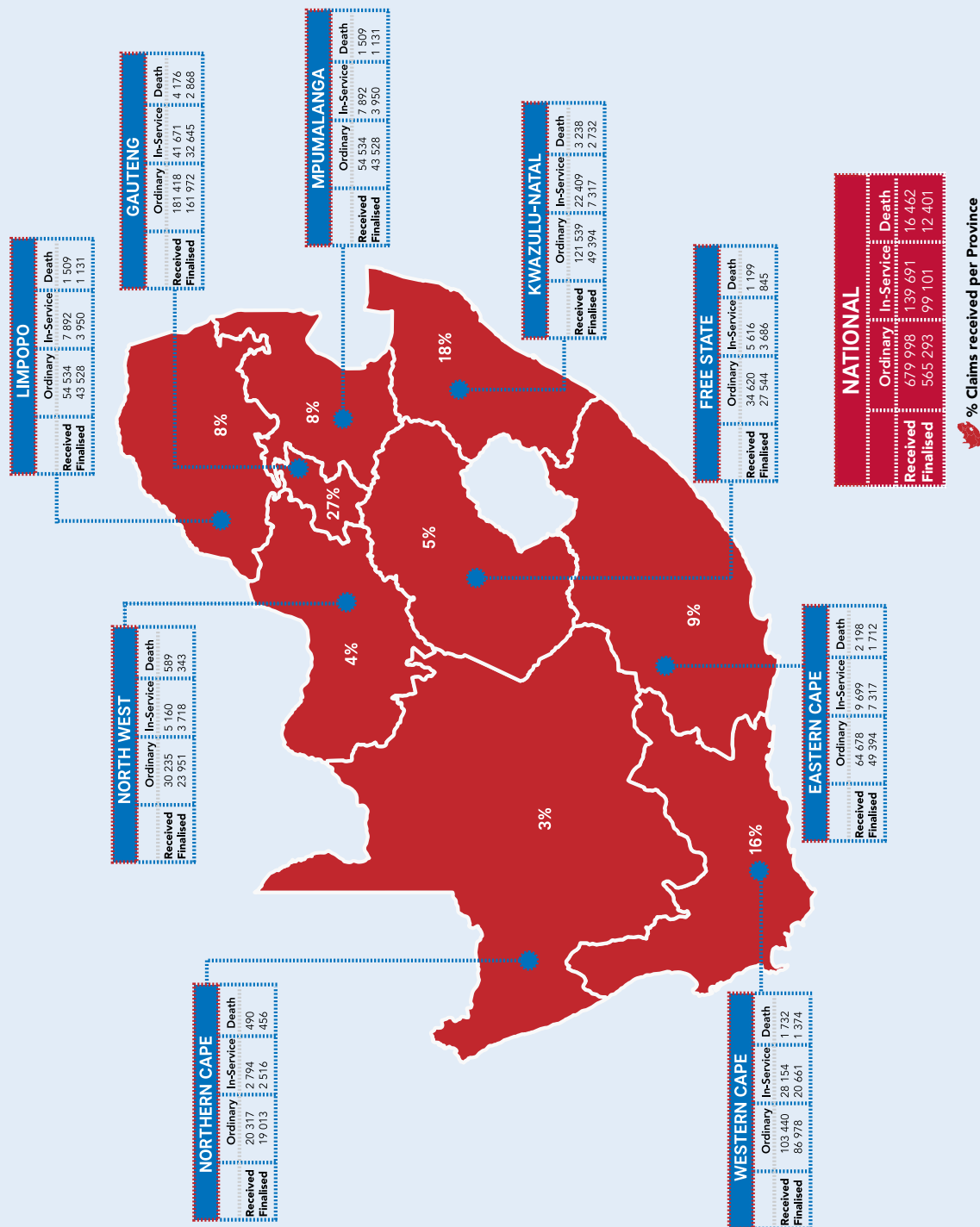


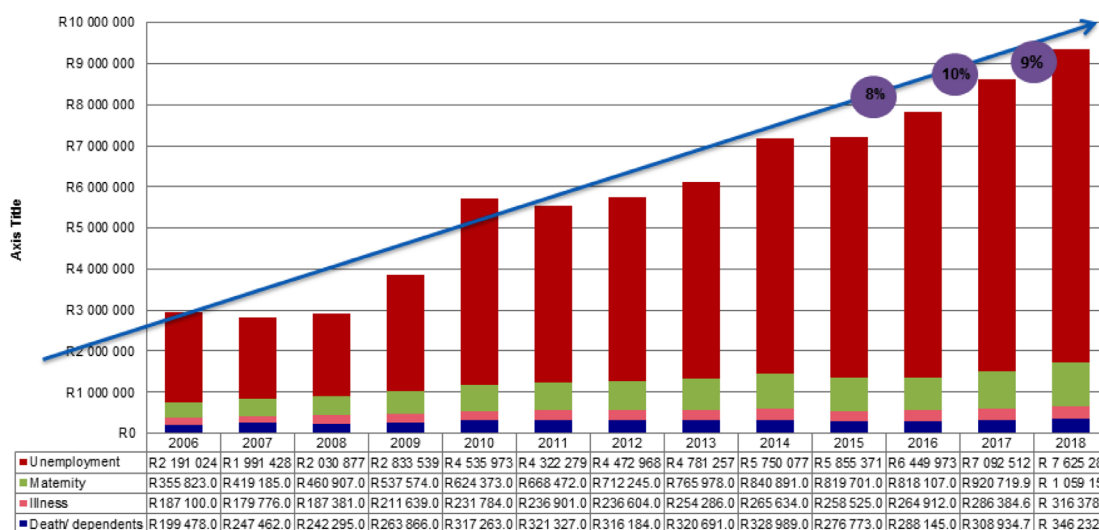
Employers using uFiling to declare and pay contribution



Number of claims stayed fairly stable over the past 12 years; with unemployment and maternity claims increasing while illness and death claims declined.

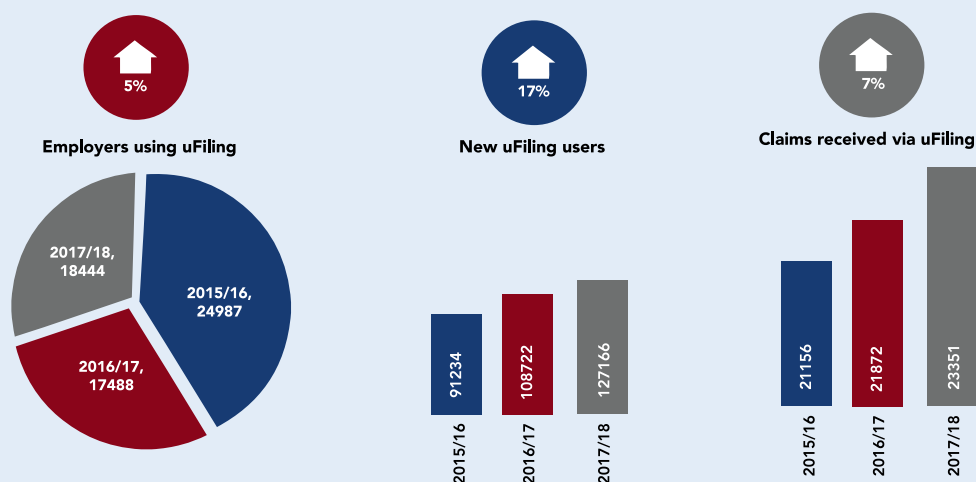
4. CLAIMS PROCESSING





From 2006 to 2008 the claims value reached stability, similarly in 2010 to 2013. In the last three years there was a constant growth in the value of claims which amounted to approximately R 9,5 Billion

Technology to improve service delivery



The number of employers using uFiling increased by 5% during 2017/18 when compared to 2016/17

A total of 1 745 833 employers are currently registered with the Fund. These are categorised mainly as commercial employers, domestic employers and taxi employers. The bulk of the employers registered are in the commercial sector. Since 2003, domestic households have continued to register themselves and the number of registered employers on the database has grown steadily. Unfortunately, the taxi sector has been slow in complying with the Fund's requirements and continues to resist attempts by the Fund to register, as can be seen in the negligible increase in registrations during the past year.

5. COMMUNICATIONS AND MARKETING

The Communication and Marketing section is responsible for marketing UIF services and increasing corporate brand awareness, as well as enhancing the UIF image amongst the public, stakeholders and clients.

The Directorate uses various communication and marketing tactics such as multimedia advertising campaigns, stakeholder engagement, media publicity, advocacy sessions, and provincial communication campaigns to fulfill its objectives.

The section embarks on provincial communication campaigns to assist UIF to achieve its strategic objectives. Provincial campaigns are conducted in conjunction with our provincial counterparts and they include mall activations, advocacy sessions, seminars, community outreach events, and door-to-door visits to businesses. The section conducted 36 provincial communication campaigns as targeted in the workplan by the end of March 2017, thus ensuring that workers are aware of their rights and employers understand their obligations under the Unemployment Insurance Act.

The Directorate has formed relations with various stakeholders to promote work that is done by the UIF. The stakeholders include Sage Payrol, Pay Day Software System, South African Institute of Chartered Accountants, South African Institute of Professional Accountants, Business chambers and other related professional bodies. These stakeholders provide access to their members who deal with UIF related activities in their companies, and through briefing sessions UIF was able to reach 3004 stakeholders who were educated about the uFiling system.

The Directorate facilitated participation of UIF in various exhibitions, which provided a platform for engaging and assisting clients with various queries. Through these exhibitions the Fund was able to assist 3 309 stakeholders with queries varying from claims applications, new registrations, declarations, and compliance certificates.

One of the strategic activities of the Directorate is to conduct national advertising campaigns using broadcast media, print, social media, Out Of Home, digital and online media. Advertising campaigns assist in increasing awareness about various offerings of the Fund, including benefits.

During June and August 2017 the section conducted an eleven episode educational radio campaign with SABC focussing on UIF benefits, and this enabled the Fund to achieve a combined reach of more than 10 million listeners across radio stations. A similar campaign was also conducted on Power FM in June 2017 where the Commissioner and some executive managers were interviewed about services offered by their sections.

The Directorate also used media networking sessions to generate publicity for the work done by the UIF. Last year the section conducted media networking sessions in Mbombela, Rustenburg, and Limpopo where the community media was educated about the Labour Activation Programmes.

In addition, the section facilitated radio interviews with various radio and TV programmes such as SA FM, Ligwalagwala FM, Phalaphala FM, Radio Unisa, Radio 702, ANN7, Leihlo La sechaba, ENews, and Carte Blanche.

The Directorate facilitates organisational internal communication through the internal newsletter and creates platforms for executive management to regularly interact with staff. The section produced six issues of the internal newsletter (Rivoni) which serves as a platform to inform staff about various developments happening within the Fund.

A staff Lekgotla was held at the end of March where the Commissioner unpacked the new vision, mission and objectives of the Fund, and this platform also provided an opportunity for senior management to engage with staff on various strategic issues emanating from their respective business units.

The Directorate provides writing and editorial advice for all publications including, promotional material, website content, annual report, strategic plan and the Annual Performance Plan document. The section ensured that all statutory publications are delivered in Parliament as per prescribed dates, and produced promotional items to promote the UIF brand and educate various stakeholders about UIF offerings.

6. LABOUR ACTIVATION PROGRAMMES

South Africa has been experiencing a high rate of unemployment which averaged 27% during the financial year especially amongst the youth. There is lack of opportunities in the labour market. Unemployed UIF beneficiaries and youth lack the skills required in the labour market and in some instances lack work experience.

Therefore UIF has effected Section 48(1)(a)(iv) of the Unemployment Insurance Act, 2001, as amended, to implement interventions towards job preservation, creation, retention and skills development through the Labour Activation Programmes (LAP). LAP is an intervention through which UIF supports social security and National Development Plan. Section 5(d) of the Act also provides that the UIF funds must be used for the 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 UIF intervenes through LAP schemes to bring about radical socioeconomic transformation amongst the unemployed UIF beneficiaries and the youth. It is estimated that at least ten individuals are dependent on one worker which means every UIF beneficiary who participate in the LAP programmes is potentially changing lives of ten people.

6.1 LAP purpose

The purpose of LAP is to ensure that unemployed UIF beneficiaries are re-integrated/ integrated into the Labour Market by:

- Enhance employability;
- Preserve jobs; and
- Enable entrepreneurship.

The output for all these is that participants in LAP projects must end up being an employee or an employer who is able to contribute meaningfully in the economy and earn a living. The LAP Strategy was reviewed in the 2017/18 financial year in a deliberate attempt to align LAP interventions with the needs of the economy. The fact that UIF pays an average of 60 000 (sixty thousands) beneficiaries per month calls for a better alignment between benefit payment and LAP interventions.

6.2 LAP objectives

The objectives of LAP are as follows:

- Align with other government job creation initiatives and build relationships with employer organisations;
- Link UIF beneficiaries to job opportunities;
- Integrate UIF beneficiaries into the labour market;
- Improve and implement employment enhancement schemes;
- Reduce duration of unemployment of UIF beneficiaries;
- Increase employment rate through SMME's;
- Participate in Enterprise Development; and
- Intervene speedily in job saving initiatives.

7. LAP ACHIEVEMENT 2017/2018

During the 2017/18 the Chief Directorate: Labour Activation Programme budget was R 88, 5 million. The budget was utilised to achieve the above objectives through partnerships with different stakeholders, e.g. Technical and Vocational Education and Training (TVET) Colleges, as well as Sector Education and Training Authorities (SETAs).

7.1 Number of UI beneficiaries benefited from LAP schemes and expenditure

SCHEMES	PROGRAMME(S)	NUMBER OF BENEFICIARIES		EXPENDITURE	
		2016/2017	2017/2018	2016/2017	2017/2018
Training of the Unemployed	Skill programmes, Apprenticeships and Learnerships	1 786	4 702	R 124 700 000.00	R 46 412 903.87
Training Layoff Scheme	Social plan Funding	135	358	R 2 000 000.00	R 34 544 189.87
Turnaround Solutions	Jobs Saved	4 760	6 684	R 17 500 000.00	R 14 780 255.70
TOTAL		6 681	11 744	R 144 200 000.00	R 95 737 349.44

7.2 Training of the Unemployed (TOU)

Skills Development is central to the reduction of unemployment and poverty alleviation. The long term plan of this approach is to ensure that the trainees are linked with state financial institutions whereby they will receive financial and non-financial support. The Fund also established partnerships with TVET colleges and SETAs to train 5 706 beneficiaries on the programmes. Some of these partnerships were continuation from the prior financial years. The UIF spent R 46, 4 million towards the funding of the training of the Unemployed in the 2017/18 financial year. This Programme benefited a total of 4 702 beneficiaries.

7.3 Turnaround Solution (TAS)

The current economic conditions in the country are affecting companies/employers negatively and this results in job losses if not curbed timeously. Productivity South Africa (Productivity SA) is a key stakeholder of the UIF in the implementation of the Social Plan Programme. The Programme is aimed at providing turnaround solutions to companies in distress. An amount of R 14 million was transferred to Productivity SA during the 2017/18 financial year for the provision of support to 100 companies in distress. Productivity South Africa has supported companies in distress and managed to save 6 684 jobs.

7.4 Training Lay-off Scheme (TLS)

The Training Layoff Scheme is a temporary suspension of work for a worker or a group of workers that are enrolled into training. The scheme is aimed at companies that face a potential risk of retrenching workers due to economic conditions. It is meant for companies which will retain employees thus preserving jobs. During training the UIF pays 75% of the employee wages and the relevant SETA pays for the training. The TLS programme was able to impact positively through paying 75% for training of 358 employees. One of the lessons with regards to the TLS is that the economic environment has changed from the time the intervention was designed. It is therefore necessary to review the policy and guidelines on TLS so that they are aligned with the current economic environment.

7.5 Enterprise Development (ED)

The Enterprise Development pillar of LAP is still in an infancy stage. The UIF is in the process of establishing Enterprise Development to enable entrepreneurship. The main objective of this pillar is to create enterprises and create opportunities for more employment. The UIF started engagements with the partners that are funded through UIF funds to assist with the process so that the UIF does not reinvent the wheel. A very good progress is being made as a model for LAP incorporating Enterprise Development was proposed for further consultation.

7.6 Challenges

The LAP programme is a good programme with a potential for immediate and meaning impact on the vulnerable in society. There have been some challenges that were picked up in the implementation of this programme. They are listed below:

- Some of the partners were not ready to start training after signing a Funding Agreement;
- Some partners start with implementation of projects without consulting with the UIF;
- Some of the TVET Colleges struggled with accreditation for the approved learnership;
- In some cases partners submit requests for transfer of funds in terms of the Funding Agreement but submit incomplete supporting documents leading to non-payment of learners;

The implementation of learnerships requires that learners are exposed to practical work at a workplace post the theory training. There have been very serious challenges with workplaces for workplace experience after learners complete the theory part of the learnerships. The mitigation of having Municipalities to provide such was not always very successful. In some instances learners complained about the workplaces being too far from where they stay. Some of the challenges experienced by the learners included the following:

- Complaints on the amount of the stipend received by learners led to the UIF pursuing a process to consider an increase in the stipend. Progress is being made as a final recommendation was made after some analysis by the actuaries in terms of the sustainability of the UIF should there be an increase of the stipend;
- Complaints on the required medicals before workplace placements – learners have to incur costs from their own pockets;
- Lack of toolkits required in certain trades or inadequate provision thereof;
- Complaints on classroom training being too short. This is unfortunately regulated and in the control of training institutions;
- Lack of proper accommodation (classrooms) for learners by some colleges;
- UIF contributions deducted from the learner stipends;
- New proposals for partnerships that could not be finalised as planned due to the identified gaps in the process followed. This led to the advertisement of the Expression of Interest targeting government entities and their subsidiaries;

7.7 Remedial actions

- Some options are being pursued to remedy the capacity problem for LAP hence the UIF provides for a longer period to cater for the extra activities;
- The UIF has since reviewed the payment schedule that is agreed with partners prior the start of a project. The payment schedule indicates exactly what needs to be submitted with each request for tranche payment;
- The UIF has decided that medicals will be catered for in the funding if required for the training programme;
- The UIF will also cater for the required tools of trade. This includes the provision of quality Personal Protective Equipment (PPE);
- The monitoring of projects will be done regularly by the UIF and Public Employment Services to pick up issues earlier and intervene timeously ;and
- To ensure that the UIF and partners work together in harmony initiation meetings are held to discuss the provisions of the Funding Agreements; and share the UIF's expectations before the start of the an approved project.



8. OFFICIAL SIGN-OFF

It is hereby certified that this ANNUAL PERFORMANCE REPORT 2017/18:

Was developed by the management of the Unemployment Insurance Fund under the guidance of Mr. T Maruping.

Was prepared in line with the current Strategic Plan and Annual Performance Plan (APP) of the Unemployment Insurance Fund (UIF)

Was prepared in line with the current annual performance targets as reflected in the APP of the Unemployment Insurance Fund

Accurately reflects the performance of the UIF during the 2017-2018 financial year

Signature.....

Mr. T MARUPING

COMMISSIONER: UNEMPLOYMENT INSURANCE FUND

Date: 31 July 2018

Signature.....

Mr. T LAMATI

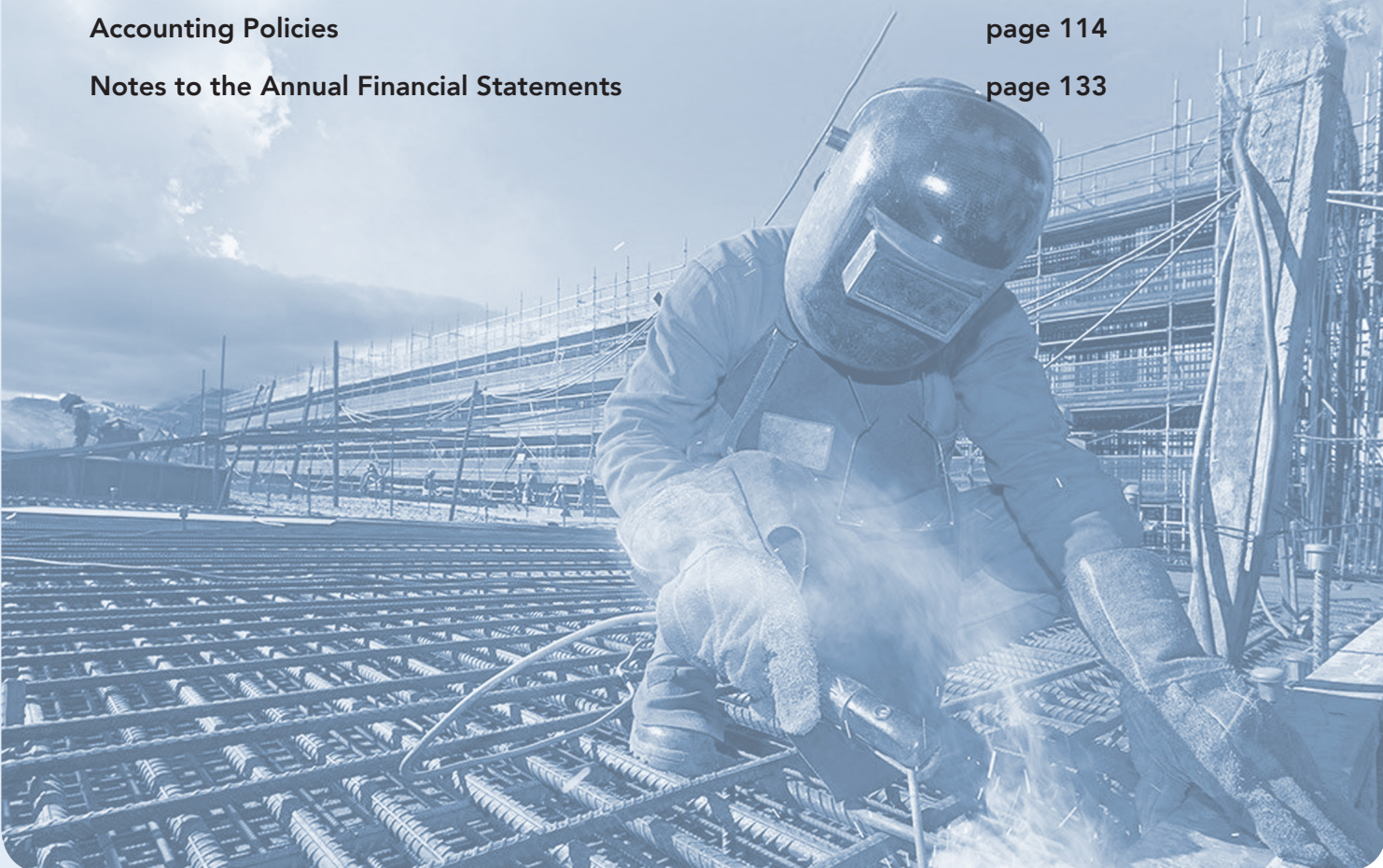
DIRECTOR-GENERAL: LABOUR

Date: 31 July 2018

PART F | FINANCIAL INFORMATION

Index

Report of the auditor-general to Parliament on the Unemployment Insurance Fund (UIF)	page 99
Accounting Authority's responsibilities and approval	page 103
Unemployment Insurance Commissioner's Report	page 104
Statement of Financial Position	page 110
Statement of Changes in Net Assets	page 111
Cash Flow Statement	page 112
Statement of Comparison of Budget and Actual Amounts	page 113
Accounting Policies	page 114
Notes to the Annual Financial Statements	page 133



Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

General Information

Nature of business and principal activities	The Unemployment Insurance Fund collects and receives under the Unemployment Insurance Fund Act (Act no. 63 of 2002). In accordance with the Unemployment Insurance Act (Act no.63 of 2001) contributions received are managed and unemployment insurance claims are managed.
Legal form of entity	The Unemployment Insurance Fund is in terms of section 48 of the Public Finance Management Act (Act no. 1 of 1999), classified as a Schedule 3 "National Public Entity".
Registered office	ABSA Tower 230 Lilian Ngoyi Street Pretoria 0001
Business address	ABSA Towers 230 Lilian Ngoyi Street Pretoria 0001
Postal address	ABSA Towers 230 Lilian Ngoyi Street Pretoria 0001
Accounting Authority	Director- General Department of Labour : Mr T Lamati
Auditors	The Auditor-General of South Africa

Report of the auditor-general to Parliament on the Unemployment Insurance Fund (UIF)

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Unemployment Insurance Fund set out on pages 104 to 213, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Unemployment Insurance Fund as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the Unemployment Insurance Fund in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of errors in the financial statements of the public entity at, and for the year ended, 31 March 2018.

Material impairment -receivables from non-exchange transactions

8. As disclosed in note 19 to the financial statements, material losses of R 99 406 000 was incurred as a result of a write-off of irrecoverable overpayment debtors.

Responsibilities of accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the accounting authority is responsible for assessing the Unemployment Insurance Fund'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 accounting authority 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

11. 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.
12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
15. 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 programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 1: Administration	37
Programme 2: Business operations	40
Programme 3: Labour activation programme	41

16. 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.
17. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:
 - Programme 1: Administration
 - Programme 2: Business operations
 - Programme 3: Labour activation programme

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

19. Refer to the annual performance report on pages 37 to 41 for information on the achievement of planned targets for the year and explanations provided for the under/over achievement of a number of targets.

Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

21. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
22. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

23. 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 sections 55(1)(a) and (b) of the PFMA. Material misstatements of the prior period error note, investments in associates, income from equity accounted investments and interest income identified by the auditors in the submitted financial statements were corrected and supporting records were provided resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

24. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R 45 734 000 as disclosed in note 36 of the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with section 5 of the SCM practice note number 3 of 2003

Other information

25. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the report by Director-General of Labour, the audit committee's report and report of the Unemployment Insurance Commissioner. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
26. 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 thereon.
27. 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 programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
28. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, 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

29. 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 findings on compliance with legislation included in this report.

Financial and performance management

30. Management did not adequately review the financial statements to ensure that the financial statements are free of material misstatements prior to submission of the financial statements for audit.
31. Daily and monthly processing and reconciliation of transactions were not always effective to ensure that the information reported in the financial statements is accurate and reliable.
32. Non-compliance with supply chain management prescripts could have been prevented had compliance been properly reviewed, monitored and control measures implemented.

Auditor - General.

Pretoria

31 July 2018



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Authority's Responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act (PFMA), (Act no. 1 of 1999) (as amended by Act no. 29 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operations and cash flows for the year ended. The Auditor-General was engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

In terms of section 55(1) of the Public Finance Management Act, the Unemployment Insurance Fund is required to comply with South African Statements of Generally Accepted Accounting Practice, unless the Accounting Standards Board approves the application of Generally Recognised Accounting Practice.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Accounting Authority acknowledges that the ultimate responsibility for the system of internal financial control established by the Fund resides with him and places considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the Unemployment Insurance Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Fund and all employees are required to maintain the highest ethical standards in ensuring the Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. Some operating risks cannot be fully eliminated. The Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures.

The Accounting Authority is of the opinion, based on the information and explanations 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 annual financial statements. Any system of internal financial control can however only provide reasonable, and not absolute, assurance against material misstatement or loss.

As Accounting Authority I reviewed the Fund's cash flow forecast for the year to 31 March 2018 and, in the light of this review and the current financial position, I am satisfied that the Fund has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on page 4 to 113 which have been prepared on the going concern basis were reviewed by the Unemployment Insurance Board on 30 May 2018 and was signed by me the Accounting Authority on recommendation of the Unemployment Insurance Board.



Director General : Department of Labour

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Unemployment Insurance Commissioner's Report

The Unemployment Insurance Commissioner submits his report for the year ended 31 March 2018.

1. General financial review of activities

Main business and operations

The Fund was established under section 4 of the Unemployment Insurance Act (Act no. 63 of 2001), hereinafter referred to as "the UI Act" administered by the Unemployment Insurance Commissioner with delegated powers from the Director-General: Labour, to provide for the payment from the Fund of unemployment benefits to certain employees, and for the payment of illness-, maternity-, adoption- and dependants benefits related to the unemployment of such employees.

The Unemployment Insurance Fund collects and receives revenue contributions under the Unemployment Insurance Contributions Act (Act no. 4 of 2002), administered by the Commissioner of the South African Revenue Services.

The Unemployment Insurance Fund's (the Fund) business model is based on a "Pay as You Go" system. There are limited risks to the financial sustainability of the Fund due to constant stream of inflows and outflows of funds. The Fund is fully reserved and conducts regular actuarial valuations to determine future financial obligations and benefits. Based on the valuation that was conducted on 31 March 2018, the Fund is in a sound financial position and will be able to meet the projected unemployment insurance claims.

The net surplus of the Fund continues to rise due to improved collection of contributions. Revenue growth projections are based on a model that tracks a combination GDP and CPI. The Fund has experienced above inflation growth rates over the last three years and continues to outperform base projections.

The surpluses of the Fund are invested through the Public Investment Corporation and the Accounting Authority approves an investment mandate on an annual basis. The investment mandate comprises of Bonds, Equities, Properties and Cash and relevant benchmarks and weights to be held in each asset class.

Net surplus of the entity was R 13,5 billion (2017: surplus R 12,5 billion).

2. Accounting policies

In terms of section 55(1) of the Public Finance Management Act, the Unemployment Insurance Fund is required to comply with South African Statements of Generally Accepted Accounting Practice, unless the Accounting Standards Board approves the application of Generally Recognised Accounting Practice.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

3. Compliance with applicable legislation

The Fund needs to comply with various sections of the Public Finance Management Act (Act no. 1 of 1999) (PFMA), Treasury Regulations, the Unemployment Insurance Contributions Act (Act no. 4 of 2002) and the Unemployment Insurance Act (Act no. 63 of 2001) with its Regulations and other relevant legislation.

Section 51(1)(a)(i) of the PFMA requires the Public Entity to have and maintain effective, efficient and transparent systems of Financial- and Risk Management and Internal Control. In an ever changing environment, additional improvements and enhancements are constantly required to improve controls and service delivery.

Section 51(1)(b)(i) of the PFMA, paragraph 31.2(a) of the National Treasury Regulations and section 12 and 13 of the Unemployment Insurance Contributions Act require collection of all revenue due to the Public Entity, and requires the levying of interest and penalties on late payments from non-SARS registered employers. The Fund recognises contribution revenue in the period in which it is measurable and probable that the economic benefit associated with the transaction will flow to the Fund.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Unemployment Insurance Commissioner's Report

The non-timely submission of employee/declaration information to the Fund by employers as required by Section 56(1) and 56(3) of the Unemployment Insurance Act prevents the Fund from determining the measurability and probability of contributions payable by employers until the consideration is actually received. This results in a limited ability to do debt collection on revenue due by non-SARS registered employers and to levy penalties and interest on revenue due. To improve on determining the measurability and probability of contributions payable by employers, revenue streams were classified in accordance with revenue stream source documents. Systems are developed to improve revenue recognition and debt collection on revenue due based on the source document information available.

The Fund implemented the U-Filing declaration and payment portal as a total online service. 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 receipt of employee remuneration information from employers directly into the Funds systems and streamline the payment of contributions in line with the declaration information. The Fund has enhanced the U-Filing system by introducing a claims application portal to enable online claims. Unemployment insurance claims processes have been simplified through an online claims process for employers and employees, aligned with the declaration information submitted. The usage of the system is significantly increasing every year, last year 21 872 claims were received via u-Filing and this has increased to 23 351 during the year under review 2017/2018. The number of employers who use the portal has also increased from 14 488 in the previous year to 18 444 in this current financial year.

Section 57(1) of the Unemployment Insurance Act requires the UIF Commissioner to create and maintain a database of contributors, beneficiaries and employers. The timely and accurate updating and maintenance of the database is reliant on receiving Employee Remuneration Information from employers. In various instances the information is captured manually. The Fund takes every precaution to ensure that capturing errors are minimised and a continuous business process was implemented to review and correct information in the database.

The Fund recognises the importance of the information captured on the database as it forms the basis for the payment of unemployment insurance claims. To obtain a level of comfort regarding the completeness, accuracy and validity of the data captured on the database the Fund implemented a process to validate the declarations.

Control measures

In addition to the system controls based on various business rules built into the SIYAYA operational system the Fund implemented various other controls. Declarations received are screened by Team Leaders in the Employee Declaration Section (EDS), the employer record is verified to ensure that the addresses matches the master record, that the form is properly and correctly completed and that dates and other fields meet business rule requirements. Declarations captured at UIF Head Office are further subjected to a random sampling by supervisors in the section and errors identified are corrected. Where employers submit declarations electronically as extracts from their payroll systems, the submissions must conform to set standards before any information is accepted and loaded into the database. This system will be further enhanced by the new Virtual Office system described above. Claimants ID numbers captured on the SIYAYA operational system are verified against the population register as an additional control. Employee information update letters are sent to employers for verification/notification and all cases where employers subsequently question the update, the information is referred to the Fund's Risk Management Unit for further investigation.

Section 35(1) of the Unemployment Insurance Act requires contributors or dependants, who received benefits that they were not entitled to in terms of this Act, or who received benefits in excess of their entitlement to repay such benefits to the Fund. Paragraph 31.1.2(e) of the National Treasury Regulations requires pursuing of debtors with appropriate rigour to ensure that amounts receivable are collected and banked promptly.

The Fund is dependent on accurate employee information declared to the Fund by employers in calculating entitled benefits. Based on available employee information the calculation can be less or more than the entitlement. Despite the application of preventative measures, instances of erroneous payments may occur due to:

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Unemployment Insurance Commissioner's Report

- Claimants obtaining new employment and continue to claim benefits (Work and Draw - main reason)
- Late or non-submission of declarations by employers in accordance with UIF requirements
- Submission of inaccurate declarations by employers
- Benefits paid in error (operational errors)

The Fund implemented an electronic adjudication function that detects transactions or entries with discrepancies (possible under- or overpayments) based on the continuous updating of employee information as declared by employers. Lists of exceptions are sent to the Provincial offices monthly for assessment and any overpayments identified are raised immediately. The system blocks further payments until the matter is resolved. Exceptions Assessors investigate these discrepancies that can result in either overpayments or underpayments being raised, in some cases the discrepancy results in non-financial transaction corrections.

The Fund implemented various mitigating processes to prevent paying benefits in error including enhanced recovery processes as discussed in the "Notes to the Annual Financial Statements", note 18 "Trade and other receivables" under "Mitigation of the risk of paying benefits in error".

Section 51(1)(b)(ii) of the PFMA requires that effective and appropriate steps be implemented to prevent, amongst other things, losses from criminal conduct. The Fund is vulnerable to fraudulent claims and dependent on employee information supplied by employers via declarations and claimants' affidavits that they are unemployed. Based on the employee information declared the Fund calculates entitled benefits and pays benefits based on the claimants' affidavits. The accuracy, completeness and timeliness of this information impacts on the correctness of the claim calculation and payment.

The Fund conducts intensive communication and marketing campaigns on an annual basis to inform employers and employees of their rights and obligations. The Fund ensures that its systems and procedures are robust to detect and prevent payments made in error and/or fraudulent payments where possible. Under- and overpayments are raised in the period it is noted.

The Fund starts with the "Recovery of benefits paid in error" as per section 35 of the UI Act when overpayments (benefits paid in error) are noted, and institutes steps in terms of section 61(6) of the UI Act to recover the loss from any outstanding benefits payable due. In addition the Fund may institute "Suspension of Contributors" as per UI Act Section 36.

The Fund constantly enhances debt collection policies and procedures since recovering benefits paid in error from claimants remains one of the Fund's major challenges. The new automated processes as explained above enhanced controls to ensure the correct payment of claims and the reduction of claims paid in error. During the financial year under review, the Fund introduced verification on all manual declarations received. The verification process is as follows:

- Confirm UI19 received is signed off by the employer who is registered on the UIF database and confirm with the employer on the system if there is any discrepancy
- Verify if declared employees on the form exist under the employer's records in the system and confirm with the employer if there is any discrepancy.
- Verify employees' details on the form with the system e.g. period of service, salary, identification numbers, name and surname and reason for termination and confirm with the employer if there is any discrepancy.
- Verify with the employer for employees that are declared for the first time at the time of the application. This verification is performed on all manual UI19's received at the time of application and normal update.

4. Spending trends

The Fund's administration budget caters for Head Office and provincial operations. The operations of the Fund are carried out at provincial offices through the Department of Labour. The expenditure at provincial offices is charged back to the Fund on a split percentage basis including the staff costs associated with personnel carrying out the functions of the UIF. The main cost drivers in the Fund during the year under review are:

- Staff costs for the over 2000 personnel that carry out UIF functions (including provincial personnel)
- Commission for collection of revenue
- Operating leases, which includes the payment for IT enablement costs
- Investment related expenses

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Unemployment Insurance Commissioner's Report

5. Capacity constraints and challenges

The Fund needs to comply with various sections of the Public Finance Management Act (Act no 1 of 1999), Treasury Regulations, the Unemployment Insurance Contributions Act (Act no 4 of 2002) and the Unemployment Insurance Act (Act 63 of 2001) as amended with its regulations.

Section 51(1)(a)(i) of the Public Finance Management Act requires the Public Entity to have and maintain effective, efficient and transparent systems of financial and Risk Management and Internal Control. In an ever changing environment, additional improvements and enhancements are constantly required to improve controls and service delivery.

Furthermore, section 51(1)(b)(i) of the Public Finance Management Act, paragraph 31.2 (a) of the Treasury Regulations as well as section 12 and 13 of the Unemployment Insurance Contributions Act require the collection of all revenue due to the public entity. Interest and penalties should be levied on late payments from employers. The Fund recognises contribution revenue in the period in which it is measurable and probable that the economic benefits associated with the transaction will flow to the Fund.

The non-timely submission of employee/declaration information to the Fund by employers as required by section 56(1) and 56(3) of the Unemployment Insurance Act prevents the Fund from determining the measurability and probability of contributions payable by employers until the actual consideration is received. This results in limited ability to perform effective debt collection on revenue due by non SARS registered employers. To improve on determining the measurability and probability of contributions payable by employers, revenue streams were classified in accordance with revenue stream source documents. Systems are developed to improve revenue recognition and debt collection on revenue based on the source document information available.

The Fund implemented the U-Filing declaration and payment portal as a total online service that is aimed at enabling online claims capability. The U-Filing system is an automated contributions and claims handling system. The automated process seeks to improve compliance to UIF legislation and service delivery to clients as follows:

- It simplifies the receipt of employee remuneration information from employers directly into the Fund's systems and also seeks to streamline the payment of contributions in line with the employee remuneration information submitted through the U-Filing Portal.
- It creates an online capability for receiving and processing claims submitted online for all clients who wish to submit their applications online through the Virtual Office portal of U-Filing.

6. New/proposed activities

The Fund continues to support government initiatives of creating decent jobs in the South African economy. As a response to the challenges of poverty and unemployment, the UI Board advised the Minister of Labour on poverty alleviation schemes that should be used to alleviate the harmful effects of unemployment among the UIF beneficiaries. In 2009, the Fund had committed R1,2 billion towards a Training Layoff Scheme and in addition recommended training programmes for unemployed UIF beneficiaries.

A review of the Funds mandate, in line with the unemployment challenges facing the country and its workforce, was necessitated by the need to play a more active role in the labour market. In pursuit of this mandate the Fund introduced Labour Activation Programmes. The Labour Activation Programmes comprises of the Training Layoff Scheme, Turnaround Solutions, and Enterprise Development which are interventions aimed to retrain workers faced with possible retrenchments and to up-skill the unemployed UIF beneficiaries.

The Unemployment Insurance Board made recommendations to the Minister of Labour on the amendments to the Unemployment Insurance Act, 63 of 2001. These amendments are aimed at improving unemployment insurance benefits for the beneficiaries and it is anticipated that they will reduce the accumulated surpluses of the Fund in the long term. The Fund will continue to exercise prudence in its management of the funds to ensure long term sustainability.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Unemployment Insurance Commissioner's Report

The Fund also allocated 20% of its investment mandate towards the Social Responsible Investment which is in the unlisted investment sphere. The main goal of these investment are to stimulate economic growth in the country through infrastructure development, decrease unemployment through job creation and job retention, facilitate empowerment, encourage transformation, support education and healthcare.

7. Roll over of funds

The Fund prepares its budget on zero bases and does not roll over its budgets from prior years.

8. Supply Chain Management

The Fund did not respond to any unsolicited proposals during the financial year under review. It is the policy of the Fund that competitive bidding processes should be followed for procurement of goods and services. The Public Finance Management Act, 1999 places certain responsibilities and obligations to the Accounting Authority regarding Supply Chain Management. The Accounting Authority of the Fund has delegated his responsibilities over the supply chain management functions to management of the Fund to ensure effective and efficient delivery of services to the beneficiaries of the UIF.

The Fund has developed Supply Chain Management policies and procedures that are used to guide and implement the provision of the Public Finance Management Act and its regulations regarding procurement activities and procurement of goods and services.

9. Audit report matters of the previous financial year

Material findings during the audit on the 2016/17 financial year with regards to performance management, investment accounting and supply chain management received major attention and drastic measures were taken to effectively address them. The UIF management embarked on "operation clean audit" campaign where all audit findings were logged on a dashboard and a manager within the office of the Commissioner was tasked to monitor implementation of management action plans to improve on audit findings. Significant improvements have been reported in this regard and this forms the basis for greater improvement in years forthcoming.

There was also a concerted effort by the Fund in the year under review on the management of organisational performance, specifically those areas that were under achieved during the 2016/17 financial year.

10. Post reporting date events

The Unemployment Insurance Board recommended various amendments to the current UI Act to improve unemployment coverage of excluded employees as well as improvements to the unemployment benefit structure. The new amendment Act was published into law in the Government Gazette on the 11 January 2017. It is expected that the new UIF amendment Act will reduce the net surplus of the Fund.

11. Future outlook and plans to address challenges

The Fund currently utilise various systems to manage its core operations, support services as well as finances. These systems are functioning well and are continuing to provide the Fund with reliable and accurate data that is used to produce financial statements. However a need has been identified by management to streamline the processes of managing the Fund in order to further enhance its service delivery capability and effectiveness within which data is produced and managed.

The current financial and operational systems will be replaced by the new SAP system with the first deployment of the finance modules during the 2018/2019 financial year. The project is expected to introduce some efficiencies in the way the Fund does its business and will improve the functioning of the operations of the Fund. The first phase will see the replacement of the core financial modules while the second phase will be the replacement of the systems that drive the core business of the Fund, namely contributions and claims management.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Unemployment Insurance Commissioner's Report

12. Auditors

The annual financial statements have been audited by the Auditor-General of South Africa, who was given unrestricted access to all financial records and related data, including minutes of all meetings of the Unemployment Insurance Board and committees of the Board. The Auditor-General of South Africa is responsible for independently reviewing and reporting on the Funds annual financial statements.

In accordance with the Public Finance Management Act (Act no. 1 of 1999 as amended by Act no. 29 of 1999), the Auditor-General remains responsible as the external auditors of the UIF.

13. Appreciation

The excellent performance of the Fund during the year under review is a reflection of the dedication and commitment of the UIF staff.

The Minister of Labour, the Deputy Minister of Labour, the Director General: Labour and the Unemployment Insurance Board were the constant source of support to the management of the Fund. It is this support that has assisted to unlock bottlenecks in the service delivery chain and ensured that all targets set by the Fund are pursued with vigour.



T. Maruping
Unemployment Insurance Fund : Commissioner

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Statement of Financial Performance

		2018	2017
	Note(s)	R '000	Restated R '000
Revenue	3	18 740 065	18 256 811
Benefit payments	4	(9 227 370)	(8 478 357)
Changes in benefits payable	4	(7 157 242)	(2 269 396)
Unemployment alleviation schemes	5	(48 673)	(145 478)
Gross surplus		2 306 780	7 363 580
Other income	6	22 169	7 657
Auditors remuneration	7	(8 143)	(6 516)
Depreciation, amortisation and impairments	8	(48 551)	(50 361)
Employee costs		(1 168 993)	(1 065 877)
Administrative costs		(468 065)	(462 193)
Other operating expenses		(430 646)	(464 114)
Operating surplus		204 551	5 322 176
Investment revenue	9	9 354 313	9 029 121
Fair value adjustments	10	3 859 251	(1 786 736)
Income from equity accounted investments	11	91 707	(13 896)
Net surplus for the year		13 509 822	12 550 665

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Statement of Financial Position as at 31 March 2018

		2018	2017
	Note(s)	R '000	Restated R '000
Assets			
Non-Current Assets			
Investment property	12	9 181	1 990
Property, plant and equipment	13	117 541	102 166
Intangible assets	14	143 573	149 455
Investment in joint ventures	15	275 041	191 688
Investments in associates	16	3 653 523	2 727 747
Investments	17	93 709 415	78 421 344
		97 908 274	81 594 390
Current Assets			
Investments	17	57 775 207	54 862 134
Receivables from exchange transactions	18	2 668	10 643
Receivables from non-exchange transactions	19	9 434	7 102
Statutory receivables	20	1 657 480	1 718 672
Cash and cash equivalents	21	2 719 018	1 297 434
		62 163 807	57 895 985
Total Assets		160 072 081	139 490 375
Net Assets and Liabilities			
Net Assets			
Technical reserves		40 928 889	38 303 768
Accumulated surplus		105 707 027	94 822 326
		146 635 916	133 126 094
Liabilities			
Non-Current Liabilities			
Provisions	24	26 434	27 739
Current Liabilities			
Payables from exchange transactions	25	291 443	350 579
Benefits payable	27	17 448	6 253
Benefits payable - technical provision	27	13 100 817	5 943 574
Derivative financial instruments	23	-	36 123
Bank overdraft	21	23	13
		13 409 731	6 336 542
Total Liabilities		13 436 165	6 364 281
Total Net Assets and Liabilities		160 072 081	139 490 375

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Statement of Changes in Net Assets

	Technical reserve R '000	Accumulated surplus R '000	Total net assets R '000
Balance as at 31 March 2016	21 621 408	98 503 433	120 124 841
Prior period adjustment (SRI : 2014/2015)	-	(5 764)	(5 764)
Prior period adjustment (SRI:2015/2016)	-	(456 362)	(456 362)
Balance at 01 April 2016 as restated*	21 621 408	98 041 307	119 662 715
Surplus for the year	-	12 550 665	12 550 665
Prior period adjustment (SRI: 2016/2017)	-	638 202	638 202
Effect of restatement	-	1 627 843	1 627 843
Technical reserves	1 499 765	(1 499 765)	-
Prior period adjustment (Provisions)	15 182 595	(16 535 926)	(1 353 331)
Total changes	16 682 360	(3 218 981)	13 463 379
Balance at 01 April 2017	38 303 768	94 822 325	133 126 093
Changes in net assets	-	13 509 822	13 509 822
Surplus for the year	-	13 509 822	13 509 822
Transfer to technical reserve	2 625 120	(2 625 120)	-
Total changes	2 625 120	10 884 702	13 509 822
Balance at 31 March 2018	40 928 888	105 707 027	146 635 915

The financial statements for the year 2016/2017 had a line item for prior error adjustment. The description was an error on the template used to compile the annual financial statements.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Cash Flow Statement

		2018	2017
	Note(s)	R '000	*Restated R '000
Cash flows from operating activities			
Cash receipts from contributors, tenants and other		18 831 790	16 795 582
Cash paid to suppliers, employees and beneficiaries		(11 568 822)	(7 554 924)
Cash generated from operations	29	7 262 968	9 240 658
Interest received from banks		46 031	36 852
Net cash flows from operating activities		7 308 999	9 277 510
Cash flows from investing activities			
Purchase of property, plant and equipment		(31 114)	(15 812)
Purchase of investment property		(7 191)	-
Purchase of other intangible assets		(26 741)	(195 543)
Proceeds from sale of other intangible assets		30 674	-
Purchase of financial assets		(46 586 744)	(50 091 531)
Proceeds from sale of financial assets		35 159 917	34 637 354
Dividends		1 288 394	1 165 873
Interest received on investment		4 285 380	2 706 707
Net cash flows from investing activities		(5 887 425)	(11 792 952)
Net increase/(decrease) in cash and cash equivalents		1 421 574	(2 515 442)
Cash and cash equivalents at the beginning of the year		1 297 421	3 812 863
Cash and cash equivalents at the end of the year	21	2 718 995	1 297 421

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget R '000	Adjustments R '000	Final Budget R '000	Actual R '000	Variance R '000	Reference
Statement of Financial Performance						
Revenue	18 701 726	1 348 437	20 050 163	18 740 065	1 310 098	
Expenditure						
Benefits payment	(8 803 089)	(1 479 888)	(10 282 977)	(9 227 370)	(1 055 607)	40.3
Changes in benefits payable	(260 275)	(2 128 796)	(2 389 071)	(8 326 471)	(5 937 399)	
Unemployment alleviation schemes	(760 000)	(129 466)	(889 466)	(48 673)	(840 793)	40.4
Gross surplus	8 878 362	(2 389 714)	6 488 648	1 137 552	(5 351 096)	
Operating surplus	-	-	-	-	-	
Other income	474 209	(472 242)	1 967	22 169	(20 202)	40.5
Audit fees	(12 900)	-	(12 900)	(8 143)	(4 757)	40.6
Administration costs	(652 992)	(55 009)	(708 001)	(468 065)	(239 936)	40.7
Depreciation, amortisation and impairments	(173 648)	(9 724)	(183 372)	(48 101)	(135 271)	40.8
Employee costs	(1 451 375)	(50 839)	(1 502 214)	(1 168 993)	(333 221)	40.9
Other operating costs	(576 645)	(299 955)	(876 600)	(430 646)	(445 954)	40.10
Total	(2 393 351)	(887 769)	(3 281 120)	(2 101 779)	(1 179 341)	
Impairment Midrand Property	-	-	-	450	(450)	
Investment revenue	9 635 362	815 925	10 451 287	9 446 020	1 005 267	40.11
Fair value adjustment	-	-	-	3 859 251	(3 859 251)	
Finance cost	3	-	3	-	3	
Technical Reserve	(1 338 324)	873 701	(464 623)	(2 625 121)	(2 160 498)	40.12
Net surplus for the year after reserving	14 782 046	(1 587 857)	13 194 189	9 715 473	3 478 716	
Capital		Approved	Adjustment	Final Budget	Actual	Variance
Capital expenditure		271 233	(48 723)	222 510	58 112	164 398

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1. Basis of preparation

In terms of section 55(1) of the Public Finance Management Act, the Unemployment Insurance Fund is required to comply with South African Statements of Generally Accepted Accounting Practice, unless the Accounting Standards Board approves the application of Generally Recognised Accounting Practice.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These accounting policies are consistent with the previous period, except for the changes set out in Note 2.

The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value less point of sale costs, and incorporate the principal accounting policies set out below.

The annual financial statements have been prepared on the going concern basis and the Fund will continue in operation and meet its statutory obligations for the foreseeable future.

The Unemployment Insurance Fund concluded that the annual financial statements present fairly the Fund's financial position, financial performance and cash flow.

1.1 Investment property

Investment property includes property held to earn rentals/capital appreciation. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria is met and excludes the cost of day to day servicing of an investment property.

Investment properties are derecognised when either they have been disposed of or when the investment property is no longer held for capital appreciation and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in surplus or deficit in the year of retirement or disposal.

Transfers are made to or from investment property when there is a change in use.

Cost model

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation less any accumulated impairment losses. Annual valuations are obtained for the purpose of testing impairments of investment properties.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Investment property - land	Indefinite
Investment property - buildings	50 years

Land has an unlimited useful life and therefore is not depreciated.

The residual value of assets are reviewed at each reporting date. If the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, the asset's depreciation charge is zero until its residual value subsequently decreases to an amount below the asset's carrying amount.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.2 Property, plant and equipment

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.

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

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

Depreciation is provided on all property, plant and equipment other than land, to write down the cost, less residual value, on a straight line basis over their useful lives.

Land has an unlimited useful life and therefore is not depreciated.

Item	Years
Land	Indefinite
Buildings	50 years
• Air conditioning	15 - 20 years
• Lifts	15 - 20 years
• Power supply	15 - 20 years
• Carpets	15 - 20 years
• Dry Walling	15 - 20 years
• Power Packs	15 - 20 years
• Demountable Partitioning	15 - 20 years
Leasehold improvements	3 years
Furniture and fixtures	6 - 10 years
Motor vehicles	5 - 10 years
Office equipment	6 - 10 years
IT equipment	3 - 5 years
Other property, plant and equipment	
• Telecom equipment	5 - 7 years

The depreciation charge for each period is recognised in surplus or deficit. Useful lives of individual assets in a category are reviewed and adjusted if appropriate at each reporting date.

The residual value of assets are reviewed at each reporting date. If the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, the asset's depreciation charge is zero until its residual value subsequently decreases to an amount below the asset's carrying amount.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the economic entity or from other rights and obligations.

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

Intangible assets are initially recognised at cost. For an intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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 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.
- 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. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

Amortisation is provided to write down computer software, on a straight line basis, to their residual values as follows:

Item	Useful life
Intellectual property	Indefinite
Computer software	1 - 5 years

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

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 is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Accounting Policies

1.4 Impairment of non-financial assets

The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

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

The recoverable service amount of an asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

The Fund assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of assets attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

With regards to intangible assets with indefinite useful lives, the Fund tests annually for impairment.

1.5 Financial assets and liabilities

The Fund has the following financial assets and liabilities: investments in equities, capital market instruments, money market instruments and derivatives which are classified as financial assets at fair value through surplus or deficit. Cash and cash equivalents, trade and other receivables are classified as financial assets at amortised cost and trade and other payables as financial liabilities at amortised cost.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or residual interest of another entity. It is evident from this definition that three elements need to be present before a financial instrument can exist, namely a contract, a financial asset and a financial liability or an residual interest.

In terms of the statement, a contract is an agreement between two or more parties that has clear economic consequences that the parties have little, if any, discretion to avoid, because the agreement is enforceable by law.

The Unemployment Insurance Fund receives contribution revenue in accordance with the Unemployment Insurance Contributions Act (Act no. 4 of 2002) and pays Unemployment Insurance benefits including the recovery of benefits paid in error in accordance with the Unemployment Insurance Act (Act no. 63 of 2001).

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 GRAP 104. The following items are accordingly presented in Note 15 and Note 22 to the annual financial statements:

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

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.5 Financial assets and liabilities (continued)

1.5.1 Classification of financial assets and liabilities

Financial assets and financial liabilities at fair value through surplus or deficit:

Financial instruments held-for-trading

These include equities, capital market instruments, money market instruments, options and all derivatives 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 statement of financial position date.

If an instrument is a non-derivative instrument with fixed or determinable payments an entity may designate non-derivative instruments with fixed or determinable payments at fair value at initial recognition when the following criteria is met:

- The designation is made at initial recognition, on an instrument by instrument basis
- A narrative description of the criteria used to designate financial assets at fair value should be provided.

Bills and promissory notes have been designated at fair value due to the money market curve valuation method that is used to value these financial assets. This is consistent with prior years.

Financial instruments at amortised cost

Investments

Investments at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Investments at amortised cost are subsequently measured using the effective interest method.

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.

Trade and other receivables

Trade 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.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.5 Financial assets and liabilities (continued)

Trade and other payables

Trade 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.

1.5.2 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 GRAP 104.

1.5.3 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.

1.5.4 Fair value measurement principles

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at reporting date. For instruments where there are no active markets the fair value of the instrument is determined using valuation techniques, including use of recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow techniques or any other valuation technique making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve, volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values. Inputs are based on market data at the statement of financial position date where other pricing models are used.

The fair value of derivatives that are not exchange-traded is estimated as the amount that the Fund would receive or pay to terminate the contract at the statement of financial position 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 are their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the statement of financial position date. If the fair value can not be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.5 Financial assets and liabilities (continued)

1.5.5 Gains and losses on subsequent measurement

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through surplus or deficit" category are presented in the statement of financial performance within "Fair value adjustment" losses/gains – net in the period in which they arise.

1.5.6 Impairment of financial assets

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets that are stated at amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of financial performance as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent year the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of financial performance. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been previously recognised.

A provision for trade receivables impairment is made when there is objective evidence (the probability of insolvency or significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired) that the Fund will not be able to collect all the amounts due under the original term of the invoice.

The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Short-term receivables are not discounted. 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 trade receivable is written off against the allowance account for trade 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.

In the case of financial assets at fair value through surplus or deficit, gains and losses arising from changes in fair value are included in surplus or deficit of the statement of financial performance.

1.5.7 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.

Accounting Policies

1.5 Financial assets and liabilities (continued)

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.

1.5.8 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".

1.5.9 Dividend income

Dividend income relating to exchange-traded equity investments is recognised in the statement of financial performance on the ex-dividend date (when the Fund's right to receive payment is established). In some cases, the Fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases the Fund recognises the dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment. Dividend income is recognised as part of "Investment Revenue".

1.5.10 Expenses

All expenses, including management fees, custodian fees and other transaction costs, are recognised in the statement of financial performance on an accrual basis.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.5 Financial assets and liabilities (continued)

1.5.11 Investments in associates

Associates are all entities over which the Fund has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In circumstances where shareholding is less than 20% but significant influence is present, entities are also classified as associated. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

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

Management accounts of investees have been utilised in the event that the associate was unable to provide signed financial statements. Loans are designated at fair value through profit and loss at initial recognition.

Accounting Policies

1.6 Non-financial assets - trade and other receivables

Disallowances (Benefits paid in error/Overpayments)

Disallowances (benefits paid in error) 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 Unemployment Insurance Act.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. (Significant changes in the disallowance debtors are when they become unemployed, and/or default or delinquent in payments more than 150 days are considered indicators that the disallowances debtor 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 debtors account. Changes in the carrying amount of the allowance account are recognised in the statement of financial performance. Subsequent recoveries of amounts previously written off are credited against "other income" in the statement of financial performance.

Legal Claims Debtors – Contributions

Legal claims debtors are initially measured at cost when employer information becomes available that the contribution debtor 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 debtors is in terms of the Unemployment Insurance Act.

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

Known Debtors

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 debtors are specific characteristics of the known debtor, the age of the debt and default on any payment arrangements should be considered as indicators that the known debtor is impaired.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.6 Non-financial assets - trade and other receivables (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of financial performance within "administrative cost". An uncollectable transactions under investigation debt is written off against the debtors account. Subsequent recoveries of amounts previously written off are credited against "other income" in the statement of financial performance.

Unknown Debtors

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

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 debtors account. Subsequent recoveries of amounts previously written off are credited against "other income" in the statement of financial performance.

Statutory receivables

Statutory receivables arises 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 UIF on reporting date through the National Revenue Account. The funds do not earn interest and the amount is payable to UIF as per the Unemployment Insurance 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 National Revenue Fund to the Unemployment Insurance Fund.

The carrying amount of the statutory receivable asset is recognised in the statement of financial position under "statutory receivables", whereas the contributions collected on behalf of the Fund, which are classified as exchange transactions are recognised and included in the statement of financial performance within "revenue".

The adoption of the policy on statutory receivables represents a change in accounting policy which lead to the reclassification of funds owed to the Fund by National Treasury from "cash and cash equivalents" to "statutory receivables"

1.7 Unemployment insurance and liabilities

Unemployment insurance is the providing of benefits under the Unemployment Insurance Act (Act no. 63 of 2001) as amended which includes unemployment benefits to qualifying employees, and the payment of illness-, maternity-, adoption- and dependants benefits related to the unemployment of such employees.

A contributor's entitlement to benefits in terms of the Unemployment Insurance Act accrues at a rate of one day's benefit for every completed six days of employment as a contributor, subject to a maximum accrual of 238 days benefits in the four year period 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 238 days in a four year cycle is calculated in accordance with "Regulation no. 98 Government Notice no. 29594" on an equal basis of 59.5 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. A graduated income replacement rate, ranging from 60% for the low-income earners to 38% for the middle and high income earners is then applied.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.7 Unemployment insurance and liabilities (continued)

For maternity claims, the maximum period of maternity leave is 17.29 weeks and 6 weeks for a miscarriage or stillbirth. The contributor may not earn more than their standard remuneration when illness-, maternity- and adoption benefits are included.

Applications must be submitted within six 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 eight weeks before childbirth, and dependants benefits within six 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.

Benefit payments are recognised on the approval of the benefit claim.

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

Unemployment insurance liabilities are recognised when employees are registered with the Unemployment Insurance Fund as contributors. The liability for unemployment insurance comprises of:

- Technical reserve - an unexpired risk reserve for contribution revenue
- Benefits payable - provision for outstanding benefits
 - Incurred but not reported (IBNR) benefits
 - Incurred but not enough reported (IBNER) benefits

Technical reserve

The Technical Reserve is set aside to cover the cost of future benefit payments in respect of contributions collected as at the valuation date. The need for this reserve arises from the four year contribution period. Based on actuarial valuation, a portion of the net surplus is allocated to the Technical Reserve on an annual basis.

The provision is not discounted.

Outstanding benefits provision

Provision is made on a best-estimate basis for the future amounts payable on all claims incurred as at the valuation date. This provision provides for:

- future payments on benefits already in payment at the valuation date – these benefits are classified as incurred but not enough reported ("IBNER"); and
- benefits incurred but not reported ("IBNR") by the valuation date.

The outstanding benefits provision is calculated at the reporting date using actuarial techniques. Adjustments to the provision are recorded in the statement of financial performance at each reporting date.

Claims handling expenses are taken into account and allowed for explicitly.

The provision is not discounted.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.7 Unemployment insurance and liabilities (continued)

1.7.1 Liability adequacy test

The sufficiency of the outstanding benefits provision is determined by conducting an experience analysis over the period since the previous valuation.

The Fund's incurred PAYG rate is used to set the level of the Technical Reserve. Use of an incurred rate reflects the ultimate cost of benefits in relation to the contributions earned in the period.

1.8 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.

1.9 Provisions and contingencies

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 entity 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 shall not be recognised for future operating losses.

1.10 Contribution revenue - revenue from exchange transactions

Contributions are collected under the Unemployment Insurance Contributions Act (Act no. 4 of 2002). Every employer and employee to whom this Act applies must, on a monthly basis contribute to the Unemployment Insurance 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.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.10 Contribution revenue - revenue from exchange transactions (continued)

Recognition and measurement

Unemployment Insurance 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 Unemployment Insurance Fund's bank accounts and/or the National Revenue Fund.

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

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

This policy is consistent with prior years.

Employee remuneration information gap

In accordance with the Unemployment Insurance Act (Act no. 63 of 2001):

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 Unemployment Insurance 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 Unemployment Insurance Act. The monthly remuneration information of employees are required to determine measurability and probability to facilitate the invoicing of contributions payable.

The **employee remuneration information gap** is significant to the extent that if revenue is recognised on available information the financial position of the Fund will not be fairly represented.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.10 Contribution revenue - revenue from exchange transactions (continued)

In terms of revenue recognition the accrual basis has not been achieved. Revenue contributions received from SARS and the UIF is recognised when measurability and probability can be determined with certainty and/or the consideration has actually been received and banked in the Unemployment Insurance Fund's bank accounts and/or the National Revenue Fund.

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 improve determination of measurability and probability to invoice contributions payable.

The Fund implemented the U-Filing declaration and payment portal as a total online service and is in the process of enhancing the U-Filing through the implementation of Virtual Office that will further enable online claims. This automation of processes seeks to improve compliance and improve service to registered employers and employees. The enhancement will assist with enforcement of non-compliant employers.

The automated processes will simplify the receiving of employee remuneration information from employers directly into the Funds systems and streamline the payment of contributions in line with the declaration information. Unemployment insurance claims will simultaneously be simplified through an online claims process for accredited employers and employees, aligned with the declaration information submitted.

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

The following revenue streams have been classified:

- SARS - Declaration and collection information
- U-Filing - Declaration and collection information
- Contribution - Legal Claims
- EFT Bank Deposits
- Cash and Cheques (UI 7)

Employee remuneration information is inaccurate and incomplete and measurability and probability cannot be determined until the consideration has actually been received.

To mitigate the "employee remuneration information gap" on the various revenue streams the Fund plans to migrate the various employer groups systematically to the enhanced U-Filing system working procedure.

Contributions receivable is accordingly not measurable and the probability cannot be determined.

1.11 Benefit payments

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

1.12 Significant judgments, estimates and assumptions

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

Derivatives

The Fund's derivatives are all Over-the-Counter derivatives (OTC) that are privately negotiated financial contracts between PIC and various financial institutions.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.12 Significant judgments, estimates and assumptions (continued)

To obtain the fair value the mark-to-model approach is used. The valuations are subjected to expected cash flows, volatility assumptions (historical volatility) time horizon, and the risk free rate of the various financial institutions underpinned by the assumption of relatively stable and liquid markets.

Outstanding benefits provision

The ultimate cost of incurred benefits is estimated using actuarial techniques, namely the Chain-Ladder and Generalised Cape Cod techniques. The principle assumption of these techniques is that the Fund's past claims experience in terms of average claims, reporting delays and settlement delays provides a reasonable guide to future such experience. The provision was increased to allow for the enhanced benefits in the Amendment Act, 2016. Allowance is made for future rates of claims inflation, but since this is the same assumption used for discounting, the combined impact on the provision is zero.

Technical Reserve

Contributions are assumed to be earned uniformly over a 4-year period assuming enhanced benefits as per the Amendment Act, 2016.

Unexpired risk liabilities and assumptions used

The average claim amount paid in the 2018 financial year is currently approximately R3 667. The average salary used for benefit purposes (i.e. capped at a maximum value) of these claimants is R7 219 per month.

Claims handling expenses (CHE) are approximately 15.66% of the value of a claim.

The PAYG rate is set at 2.248% (2017: 2.248%) of which 1.947% (2017: 1.947%) allows for the cost of benefits and 0.301% (2017: 0.301%) for claims handling expenses.

Claims handling expenses (CHE) are approximately 15.66% of the value of a claim.

The run-off pattern of claims is assumed to remain stable. No explicit assumption about claims inflation was made. While the inclusion of an explicit inflation assumption has the potential to stabilise development patterns, the claims development experience of the Fund has been very stable over the period considered. The requirement for further stabilisation was therefore considered to be negligible.

The development of claims is considered on a quarterly basis from financial year 2008.

The average salary of the claimants is R7,219 per month.

The PAYG rate is set at 2.248%(2017: 2.248%) of which 1.947%(2017: 1.947%) is contributed by the cost of benefits and 0.301%(2017:0.301%) is contributed by claims handling expenses. The PAYG rate includes allowance for the enhanced benefits under the Amendment Act 2016.

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 DPSA utilizing the net leave entitlement at reporting date multiplying it with the employee's remuneration (levels 1-10 and MMS 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.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.13 Investments in joint venture

Jointly controlled entities are all entities over which the UIF has joint control. Jointly controlled entities are accounted for using equity accounting. 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 entity'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. Additional text

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the entity'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 entity 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 entity and its jointly controlled entities are eliminated to the extent of the group'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 entity.

Management accounts of investees have been utilised in the event that the associate was unable to provide signed financial statements.

Loans are designated at fair value through profit and loss at initial recognition.

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available for sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the Statement of Financial Performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Financial Performance as they arise."

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.14 Unauthorised, irregular, fruitless and wasteful expenditure

Unauthorised, irregular, fruitless and wasteful expenditure is expenditure that is contrary to the Public Finance Management Act (Act No.1 of 1999). Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as a current asset in the Statement of Financial Position until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

1.15 Investment Management

The investment assets of the Fund are managed by Public Investment Corporation. However, in terms of their mandate the PIC appointed the following external managers to manage part of the investment portfolio.

- Mazi Capital (PTY) LTD Portfolio-Assets under management R1.69 billion
- Mergence Investment Managers (PTY) LTD - Assets under management R1.72 billion
- Mvunonala Asset Managers (PTY) LTD - Assets under management R1.66 billion
- Sentio Asset Managers (PTY) LTD - Assets under management R1.72 billion
- Robeco Asset Managers (Foreign Investors) - Assets under management R4.80 billion

1.16 Budget

The Fund aligns its budget priorities with that of National Government and the Department of Labour by ensuring the budget delivers on priorities such as efficient service delivery, poverty alleviation and building sound institutional arrangements.

The Unemployment Insurance Fund compiles its budget on a zero basis and the financial statements on the accrual basis. The budget is approved on a zero basis by classification of expenditure by nature.

The financial strategy of the Fund takes into account the requirements of the PFMA and National Treasury Regulations which requires 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 Unemployment Insurance 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 Unemployment Insurance Fund however carries the liability of future claims based on the contribution received.

Written approval is annually obtained from the National Treasury to retain surplus funds according to the PFMA Section 53 (2).

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

2018

2017
*Restated

2. Standards and Interpretations of GRAP and Changes in Accounting Policy

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board on the basis of consistent with the prior year.

- GRAP 32: Service Concession Arrangements (Grantor)
It is expected that the requirements of the Standard would not be applicable to the Fund and therefore its effect on the financial statements is not determined since the Fund is not engaged in any service concession arrangements.
- IGRAP 17: Service concession arrangements where the grantor controls a significant residual interest in an asset. It is expected that the requirements of the Interpretation would not be applicable to the Fund since the Fund is not engaged in any service concession arrangements and therefore its effect on the financial statements is not determined.
- GRAP 108: Statutory Receivables
It is expected that the requirements of the Interpretation will be applicable to the Fund. Based on industry comparison and inputs received from National Treasury, the Fund formulated an accounting policy around statutory receivables according to Directive 5 paragraph 30 issued by the Accounting Standards Board.
- GRAP 20: Related Parties
The requirements of the Standard are applicable to the Fund. Related party relationships and transactions are disclosed according to the Standard and is presented in note 37.

3. Revenue

Contributions received	18 319 973	17 838 814
Penalties and interest received from contributors	420 092	417 997
	18 740 065	18 256 811

Revenue consists of Unemployment Insurance contributions, interest and penalties received from registered employers in terms of the Unemployment Insurance Contributions Act (Act No.4 of 2002).

4. Benefit payments

Benefit payments to beneficiaries

Benefit payment- Unemployed	7 530 960	6 973 704
Benefit payment - Illness	313 286	283 496
Benefit payment - Maternity	1 039 258	909 036
Benefit payment - Adoption	769	714
Benefit payment - Dependants	343 097	311 407
	9 227 370	8 478 357

Changes in benefits payable

Changes in benefit payable	7 157 242	2 269 396
	16 384 612	10 747 753

Calculation of benefits

Section 13(3) of the Unemployment Insurance Act (Act no. 63 of 2001)

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

4. Benefit payments (continued)

The Unemployment Insurance Act (Act no. 63 of 2001) amended and the Unemployment Insurance Contributions Act (Act no. 4 of 2002) brought a complete change in the manner in which the Unemployment Insurance Fund received contributions and calculates 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 six days of employment as a contributor subject to a maximum accrual of 238 days benefit in the four year period immediately preceding the date of application for benefits in terms of the Chapter, less any days of benefit 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.

Creation and maintenance of database

Section 57 of the Unemployment Insurance Act (Act no. 63 of 2001) 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 the 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 UIF Head Office are subjected to a random sampling by the supervisors in the section and errors identified are corrected
- Declarations are updated directly from extracts of auditable payrolls of employers
- ID 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 UI19 declarations received, to obtain a level of comfort regarding the completeness, accuracy and validity of the data captured on the database. The Fund validated the declarations on which the current year claims were based on before validating previous year's due to the volume of declarations. Consistent investigations are done to look at options to enhance business processes regarding the collection and maintenance of declaration data.

5. Unemployment alleviation schemes

Training and Social Plan Funding	45 568	130 550
Training Lay-Off Scheme	3 105	14 928
	48 673	145 478

Section 48(1)(a)(iv) of the Unemployment Insurance Act, 2001 as amended

Section 48(1)(a)(iv) of the Unemployment Insurance Act, 2001 as amended stipulates that the Unemployment Insurance Board must advise the Minister on the creation of schemes to alleviate the effects of unemployment.

Training Lay-off Scheme

The UI Board recommended to the Minister of Labour who approved on 23 September 2009 to commit R1.2 billion of the Funds money for the "Training Layoff Schemes".

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

5. Unemployment alleviation schemes (continued)

"Training Layoff" is temporary suspension of work for a worker or a group of workers that will be sent for training. The scheme is aimed at companies that are in distress due to economic conditions and at workers who may be at risk of retrenchment that might become unemployment claimants.

The "Training Layoff Scheme" depends on an agreement between an employer and workers that there will be continued employment and that the employer will pay all contributions to social security benefits during the training period. The worker(s) agree to forego their normal wage, to attend the training programme and to accept a training allowance during the period of training. Employers gain a recovery period by reducing payroll costs for a period of six months and improve the skills of their workers at limited cost to the company.

The various Sector Education Training Authorities (SETA's) facilitate the training interventions. To fund the "Training Layoff Schemes" training allowance, the National Skills Fund (NSF) committed R1.2 billion and the UIF R1.2 billion and administer the payment thereof.

Applications to participate in the project go through a strict process that includes the Commission for Conciliation, Mediation and Arbitration (CCMA) and a Project Evaluation Committee (PEC) convened by the UIF.

The Fund's committed R1.2 billion to the "Training Layoff Scheme" was budgeted for expenditure over the MTEF period. The Fund signed funding agreements to the value of R179 million (2017: R172 million) since the inception of the scheme and paid R5.3 million during the year under review (2017: 14.93 million) based on withdrawal conditions. The committed funds will be disclosed as a contingent liability until the project is exhausted or cancelled and actual expenditure will be disclosed in the Statement of Financial Performance under Unemployment Alleviation Schemes.

Training and Social Plan Funding

Skilling of the unemployed in general and the UIF unemployment beneficiaries is needed in order to improve their chances to be reintegrated back into the employment environment.

The Minister of Labour approved in principle projects to provide funding to "Poverty Alleviation Schemes" including up-skilling/training to the unemployed and Social Plan funding. The Fund budgeted R889 million for up-skilling/training and Social Plan funding for the financial year ended 31 March 2018 (2017: R 803 million). The up-skilling/training and Social Plan funding are to be executed in close relationship with the Training Institutions, the various Sector Education Training Authorities (SETA's) and other Government Departments engaged in poverty/unemployment alleviation initiatives.

R605 million has been committed through funding agreements since the inception of the "Training of the Unemployed" initiative. The Fund signed funding agreements to the value of R129 million with the Mining Qualifications Authority (MQA) and the Manufacturing, Engineering and Related Services SETA (merSETA) to train 1,000 and 1,500 artisans respectively. A further R78 million was signed with the Media Information Communication and Technology SETA (MICT SETA) to train 3,000 unemployed on End-user Computing. Additional contracts to the value of R72 million were signed with the Energy and Water SETA to train 300 learners on solar geyser installation and the Transport SETA (TETA) to train 777 learners on the different artisan programmes; 140 on learnerships, 20 pilots and 100 on scuba diving. In the prior year R228 million was committed through 33 funding agreements with different TVET Colleges for Building and Civil Construction Learnerships. In the year under review a further R 87.2 million worth of four new funding agreements with different institutions.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000
5. Unemployment alleviation schemes (continued)		
<p>The Social Plan is implemented through Productivity South Africa. Productivity South Africa implements Turnaround Solutions to companies that want to improve their productivity. This services has also been extended to companies that are in distress through the Training Lay-off Scheme. The three year service level agreement which was signed with Productivity South Africa according to which the UIF has committed to pay R62 million for 2016/2017 and R78.72 million for 2017/2018. R14.8 million was paid to Productivity South Africa with regards to Social Plan Funding for the year under review based on the funding conditions in the agreement (2017: R24.4 million).</p>		
6. Other income		
Rental income	2 362	3 425
Recovery on overpayment written off	17 838	7 624
Other recoveries	1 927	56
Legal settlement*	40	-
Proceeds on disposals	2	(3 448)
	22 169	7 657

Legal Settlement*

The UIF through the office the State Law Attorney accepted the offer of settlement against a plaintiff, having bought mortgage his Erf 331 Alice Municipality in security for a loan to the former Ciskei Bank. The plaintiff failed to pay the loan in full and the property was transferred to Ciskei Unemployment Insurance Fund. The State Law Attorney ruled that the matter is settled out of court by agreeing to release the plaintiff on the security subject to the claim amount being paid to UIF.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000
7. Auditors fees		
Audit Fees 2015/16		
Audit fees	-	2 193
Expenses	-	197
Audit Fees 2016/17		
Audit Fees	4 718	4 059
Expenses	104	67
Audit Fees 2017/18		
Audit Fees	3 113	-
Expenses	208	-
	8 143	6 516

The Auditor-General's budgeted audit fee for the financial year ended 31 March 2018 amounts to R12,900,000.00 (2017: R6,304,401) excluding VAT.

8. Depreciation, amortisation and impairments

Depreciation and amortisation

Buildings	707	931
Furniture and fixtures	1 030	1 007
Motor vehicles	574	480
Office equipment	221	188
IT equipment	10 042	10 208
Computer software	32 810	26 694
Leasehold improvements	1 199	1 198
Other property, plant and equipment	1 518	1 531
	48 101	42 237

Impairments loss/(reversal)

Land and Building	450	8 123
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Depreciation and amortisation

Depreciation and amortisation	48 101	42 238
Impairments loss/(reversal)	450	8 123
	48 551	50 361

No depreciation was calculated on investment property during the current year since the residual values of the properties increased to amounts greater than the carrying amounts. The depreciation charge on investment property will remain zero until the property's residual value subsequently decreases to an amount below its carrying amount.

Impairment reversal on building is as a result of an increase in the market value in comparison to the prior year valuation. Since the Fund is using the cost model, the impairment had to be reversed in order to disclose the building at cost.

9. Investment revenue

Interest revenue

Listed financial assets	8 036 937	7 803 593
Other financial assets	1 250 766	1 156 344
Bank	46 031	36 852

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
9. Investment revenue (continued)		
Interest received - other	20 579	32 332
	9 354 313	9 029 121
Investment revenue earned on financial assets by category		
Interest earned on financial assets at fair value	7 305 500	7 158 561
Dividends earned on financial assets at fair value	1 250 767	1 156 344
Interest earned on financial assets at amortised cost	798 046	714 216
	9 354 313	9 029 121
Rates of interest		
Government bonds		
Government bonds Fixed Rate	4.73 %	8.55 %
Government bonds Floating Rate	- %	3.19 %
Parastatal bonds		
Parastatal bonds Fixed Rate	0.94 %	8.63 %
Parastatal bonds Floating Rate	7.37 %	2.74 %
Corporate bonds		
- Manufacturing bonds Fixed Rate	9.49 %	7.96 %
- Service bonds Fixed Rate	9.49 %	9.57 %
- Financial bonds Fixed Rate	9.30 %	9.92 %
- Financial bonds Floating Rate	- %	4.65 %
Certificate of deposits Fixed Rate	0.10 %	8.54 %
Promissory notes Fixed Rate	4.84 %	7.86 %
Bills Fixed Rate	7.32 %	7.91 %
Fixed deposits - FNB Fixed Rate	7.02 %	6.97 %
Fixed deposits - PIC Fixed Rate	7.66 %	7.96 %
Cash and cash equivalents Floating Rate	7.37 %	6.32 %
10. Fair value adjustments		
Other financial assets		
• Investments (Designated as at FV through surplus or deficit)	3 859 251	(1 786 736)
Fair value per asset category		
Listed Equity	1 367 278	(478 072)
Bonds	2 759 292	(1 444 104)
Bills	294	1 381
Promissory Notes	1 429	2 990
Negotiable Certificates of Deposit	384	1 085
Derivatives	(484 985)	(36 123)
Social Responsible Investments	89 270	7 492
Commercial papers	-	(45)
Foreign Instruments	126 289	158 660
	3 859 251	(1 786 736)

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
10. Fair value adjustments (continued)		
<p>* The Fund continued to implement a zero cost collar derivative structure aimed at hedging R1 billion Naspers equity exposure to mitigate stock concentration risk. This hedge was approximately 25% of Naspers exposure in the internally managed portion of the equity portfolio. The cost structure was executed for an average period of 12 months, with a Nominal Exposure amount of R1 billion, for the following expiry months: Dec 2018, Jan 2019 and Feb 2019.* Independent valuations of all the Social Responsible Investments were performed as at 31 March 2018 and all the market values adjusted.</p>		
11. Income from equity accounted investments		
Income from Joint Ventures		
Kefolile Consumer Brands (Pty) Ltd	6 966	(9 604)
Income from Associates		
Clinix Health Group (Pty) Ltd	1 577	-
Daybreak Farms (Pty) Ltd	53 702	(65 168)
Educor Property Holdings (Pty) Ltd	19 165	18 055
Gurb Investments (Pty) Ltd	(1 403)	(301)
Kefolile Health Investments (Pty) Ltd	(85 332)	(31 802)
Musa Group Pty Ltd	(7 313)	1 674
Razorite Health & Rehabilitation Fund en Commandite Partnership	22 772	32 493
Resultant Finance (Pty) Ltd	3 984	283
Trans African Concessions (Pty) Ltd	32 756	6 191
The SA SME Fund Ltd	(2 222)	-
South Point Management Services (Pty) Ltd	32 116	18 962
UIF Afgri-Fund 1 en Commandite Partnership	14 939	15 321
Total	84 741	(4 292)
Net Income from Equity Accounted Investments	91 707	(13 896)

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

12. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	9 990	(809)	9 181	2 799	(809)	1 990

Reconciliation of investment property - 2018

	Opening balance	Additions	Total
Investment property	1 990	-	1 990
Work-in-progress	-	7 191	7 191
	1 990	7 191	9 181

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	1 990	1 990

Included in work in progress for the year ended 31 March 2018 is the amount of R 2,688,785.06 for Bisho and R 4,502,137.83 for Thohoyandou.

Details of property

ERF 895 (a portion of erf 252) Bisho

- Purchase price: 1 December 2008	41	41
- Additions since purchase or valuation	818	818
	859	859

Portion 4 and 5 (remainder extent) of ERF 43, Thohoyandou.

- Purchase price: 1 December 2008	1 940	1 940
- Additions since purchase or valuation	-	-
	1 940	1 940

Details of valuation

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

12. Investment property (continued)

Erf 895 (a portion of erf 252) Bisho

The effective date of the valuation was 31 March 2018. The market valuation was performed by Knight Frank KZN (Pty) Ltd, as professional registered valuers. Knight Frank KZN (Pty) Ltd are 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 income capitalisation method together with market research in the direct vicinity of the property. Knight Frank KZN (Pty) Ltd certified that the market value of the property was R 11 200 000 as at 31 March 2018.

Portion 4 and 5 (remainder extent) of Erf 43, Thohoyandou

The effective date of the valuation was 31 March 2018. The market valuation was performed by Quadrant Properties (Pty) Ltd, a professional registered valuer. Quadrant Properties (Pty) Ltd are 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 income capitalisation method together with market research in the direct vicinity of the property. Quadrant Properties (Pty) Ltd certified that the market value of the property was R 14 000 000 as at 31 March 2018.

13. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	63 786	(8 573)	55 213	35 025	(3 507)	31 518
Buildings	62 180	(20 517)	41 663	57 204	(19 810)	37 394
Furniture and fixtures	15 786	(10 409)	5 377	14 083	(9 378)	4 705
Motor vehicles	3 004	(1 425)	1 579	3 004	(851)	2 153
Office equipment	2 723	(1 808)	915	2 691	(1 587)	1 104
IT equipment	36 910	(28 435)	8 475	36 652	(18 393)	18 259
Leasehold improvements	3 596	(2 796)	800	3 593	(1 597)	1 996
Other property, plant and equipment	7 576	(4 057)	3 519	7 576	(2 539)	5 037
Total	195 561	(78 020)	117 541	159 828	(57 662)	102 166

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Impairment loss	Impairment reversal	Total
Land	31 518	28 571	-	(5 066)	-	55 023
Buildings	37 394	-	(707)	-	4 617	41 304
Work-in-progress	-	549	-	-	-	549
Furniture and fixtures	4 705	1 702	(1 030)	-	-	5 377
Motor vehicles	2 153	-	(574)	-	-	1 579
Office equipment	1 104	32	(221)	-	-	915
IT equipment	18 259	258	(10 042)	-	-	8 475
Leasehold improvements	1 996	2	(1 198)	-	-	800
Other property, plant and equipment	5 037	-	(1 518)	-	-	3 519
	102 166	31 114	(15 290)	(5 066)	4 617	117 541

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	35 025	-	-	-	(3 507)	31 518
Buildings	46 353	-	(3 636)	(707)	(4 616)	37 394
Furniture and fixtures	3 517	2 208	(888)	(132)	-	4 705
Motor vehicles	2 633	-	-	(480)	-	2 153
Office equipment	782	535	(139)	(74)	-	1 104
IT equipment	15 408	13 066	(1 629)	(8 586)	-	18 259
Leasehold improvements	3 194	-	-	(1 198)	-	1 996
Other property, plant and equipment	6 564	3	(132)	(1 398)	-	5 037
	113 476	15 812	(6 424)	(12 575)	(8 123)	102 166

Work in progress

Included in the property, plant and equipment additions for the Financial year ended 31 March 2018 is an amount of R 359,671.21 for refurbishment of 94 WF Nkomo street and R 189,673.20 for the development of Sunnyside.

Repairs and maintenance

The following repairs and maintenance expenditure of R 1,217,919.91 in 2017/2018 (2016/2017:R3,258,982.63) has been incurred.

Fully depreciated assets

The Fund tends to retain its assets even though they are fully depreciated assets and are still in use. Indicating a zero value until such time that the UIF Head Office is built. The relevant information available, namely the extended lease agreement with the current landlord and the construction start date of the new building will be given an indication that the planned replacement of these assets, along with the relevant funding will only be available in 2 years. The Fund does not wish for the excessive cost to be incurred for the replacement of the assets that will not be appropriate in the structure of the new building.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

13. Property, plant and equipment (continued)

During the 2016/17 audit disposal of carpets and dry-walling was incorrectly classified as depreciation reversal.

Previously stated : Depreciation reversal R 3,635,704.32

Currently stated : Disposal: R 3, 635,704.32.

Details of properties

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

Details of valuation:

The effective date of the valuation was 31 March 2018. The market valuation was performed by M Fitchet, professional registered valuers.

The valuation was based on the income capitalisation method together with market research in the direct vicinity of the property. M Fitchet certified that the present day market value of the property was R90,300,000 as at 31 March 2018.

Erf 34, Randjespark, Extension 30, Midrand

Details of valuation:

The effective date of the valuation was 31 March 2018. The market valuation was performed by P Parfitt professional registered valuers.

The valuation was based on the income capitalisation method together with market research in the direct vicinity of the property. P Parfitt certified that the present day market value of the property was R8,000,000 as at 31 March 2018.

Erf 834 Portion 50, Sunnyside, Pretoria

Details of valuation:

The effective date of the valuation was 31 March 2018. The market valuation was performed by M Fitchet, professional registered valuers.

The valuation was based on the income capitalisation method together with market research in the direct vicinity of the property. M Fitchet certified that the present day market value of the property was R22,500,000 as at 31 March 2018.

Erf 1431 and 1432, Sunnyside, Pretoria

Details of valuation

The effective date of the valuation was 31 March 2018. The market valuation was performed by M Fitchet professional registered valuers.

The valuation was based on the income capitalisation method together with market research in the direct vicinity of the property. M Fitchet certified that the present day market value of the property was R4,000,000 as at 31 March 2018.

Erf 82 and 83 Sunnyside, Pretoria

Details of valuation

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

13. Property, plant and equipment (continued)

The effective date of the valuation was 31 March 2018. The market valuation was performed by M Fitchet professional registered valuers

The valuation was based on the income capitalisation method together with market research in the direct vicinity of the property. M Fitchet certified that the present day market value of the property was R21,400,000 as at 31 March 2018.

14. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	96 883	(37 257)	59 626	120 619	(30 562)	90 057
Other intangible assets	83 947	-	83 947	59 398	-	59 398
Total	180 830	(37 257)	143 573	180 017	(30 562)	149 455

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software, other	88 736	2 450	-	(32 810)	58 377
Work-in-progress	1 507	-	(258)	-	1 249
Intellectual Property	59 398	24 549	-	-	83 947
	149 641	26 999	(258)	(32 810)	143 573

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	87 244	151 049	(124 739)	(24 818)	88 736
Work-in-progress	-	1 507	-	-	1 507
Intellectual Property	14 718	44 680	-	-	59 398
	101 962	197 236	(124 739)	(24 818)	149 641

Intellectual property

The Fund developed various computer applications (Intellectual Property) that will enable the Fund to automate processes that will simplify the receipt of employee remuneration information from employers directly into the Funds systems and streamline the payment of contributions in line with the declaration information. Unemployment claims will simultaneously be aligned through an online claims process.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

15. Investment in Joint Ventures

2018
Unlisted
Total R 275,041,324.13

Description	Opening Balance R'000	Acquisition Equity R'000	Profit for the year R'000	Dividends R'000	Total
Kefolile Consumer Brands (Pty) Ltd.	191 688	-	6 966	(5 523)	193 131
Matseke Medical CC	-	81 911	-	-	81 911
	191 688	81 911	6 966	(5 523)	275 042

The UIF has the following significantly jointly controlled entity that is equity accounted :

Kefolile Consumer Brands (Pty) Ltd has a year of 30 June. The year end is different because the entity deems its year end the most suitable for its other stakeholders for decision making purposes.

Name of the company

Kefolile Consumer Brands (Pty)Ltd.

Principal place of business	Nature of business	Dividends R000	%Holding	Fair Value R000
South Africa	Investment Holdings Special Purpose Vehicle	5 523	50	-
South Africa	Health Care	-	51	81 911
		5 523	101	81 911

Matseke Medical CC

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

15. Investment in Joint Ventures (continued)

Name of the company R'000

	Kefolile Consumer Brands (Pty)Ltd : 31 March 2018	Matseke Medical Consultant CC : 31 March 2018
Current Assets	12 525	1
Non-Current Assets	406 000	-
Current Liabilities	(3 600)	(1)
Non-Current Liabilities	(406 000)	-
Revenue	19 458	-
Surplus/Deficit	13 931	-

Kefolile Consumer Brands (Pty)Ltd received a shareholder loan from UIF valued at R203 000 000, at 0% interest maturing on 31 December 2026. The fair value of the loan Kefolile Consumer Brands (Pty)Ltd was R 230,000,000 (un-impaired) and R 116,587,443 (recoverable).

2017

Unlisted

R 191,687,758.55

Name of the company

	Opening Balance R'000	Acquisition Equity R'000	Profit for the year R'000	Dividends R'000	Loan Acquisition R'000	Closing Balance R'000
Kefolile Consumer Brands (Pty)Ltd	-	-	(9 604)	(1 708)	203 000	191 688

The UIF has the following significantly jointly controlled entity that is equity accounted :

Kefolile Consumer Brands(Pty) Ltd has a year end of 30 June. The year end is different because the entity deems its year end the most suitable for its other stakeholders for decision making purposes.

Fair value

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

15. Investment in Joint Ventures (continued) Name of the company

Kefolile Consumer Brands (Pty) Ltd.

Principal Place of Business	Nature of Business	Dividend R'000	Shareholding	Fair Value R'000
South Africa	Investment Holdings Special Purpose Vehicle	1 708	50.00 %	106

Summary Financial Information

Current Assets	
Non-Current Assets	
Current Liabilities	
Non-Current Liabilities	
Equity/Net Asset/(Net Liabilities)	
Revenue	
Surplus/Deficit	
Interest Revenue	

Kefolile Consumer Brands (Pty) Ltd 2017	
R'000	
	3 640
	369 373
	(4 175)
	(419 925)
	(51 088)
	13 641
	(43 218)
	-

Kefolile Consumer Brands (Pty) Ltd received a shareholder loan from UIF fair valued at R203 000 000 as at 31 March 2017, the loan is maturing on 31 December 2026.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates

2018

Unlisted

R 3,653,523,678.41

UIF has the following significant associates that are equity accounted:

Description R'000	Opening Balance	Acquisitions/(Disposals) Equity	Impairments	Profit for the year	Preference shares acquisition	Debenture disposal	Loan acquisition	Loan disposal	Dividends	Closing Balance
Daybreak Farms (Pty)Ltd	355 464	-	-	53 702	670 381	(383 500)	(99 930)	-	-	596 117
Educor Property Holdings (Pty) Ltd	373 026	-	-	19 165	-	-	-	-	-	392 191
GURB Investment (Pty) Ltd	43 199	-	-	(1 403)	-	-	-	-	-	41 796
Kefolile Health Investment(Pty)Ltd	368 838	-	-	(85 332)	-	-	-	-	(9 412)	274 094
South Point Management Services (Pty)Ltd	351 055	-	-	32 117	-	-	-	-	-	383 172
Rezorite Health and Rehabilitation Fund en Commandite Partnership	217 214	32 176	-	22 772	-	-	-	-	-	272 162
Resultant Finance (Pty) Ltd	7 783	-	-	3 984	-	-	312 100	-	(600)	323 267
UIF Afri Fund 1 en Commandite Partnership	313 159	175 394	-	14 939	-	-	-	-	-	503 492
Musa Group (Pty) Ltd	249 675	-	-	(7 313)	-	-	-	-	-	242 362
Trans African Concessions (Pty)Ltd	448 335	-	-	32 756	-	-	-	-	(22 092)	458 999
The SA SME Fund Limited	-	30 000	-	(2 222)	-	-	-	-	-	27 778
Clinix Health Group (Pty)Ltd	-	136 518	-	1 577	-	-	-	-	-	138 095
	2 727 748	374 088	-	84 742	670 381	(383 500)	212 170	-	(32 104)	3 653 525

UIF has the following significant associates that are equity accounted

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates (continued)

Description	Principal Place of Business	Nature of business	Dividends	Shareholding Fair Value
Daybreak Farms (Pty)Ltd	South Africa	Farming	- 12 to 33%	-
Educor Property Holdings (Pty) Ltd	South Africa	Property owning & development company	- 42%	190 968
GURB Investment (Pty) Ltd	South Africa	Special Purpose Vehicle for Investment Health Care Company	- 10%	3 590
Kefolile Health Investment(Pty)Ltd	South Africa	Health Care Company	9 414 30%	-
South Point Management Services (Pty)Ltd	South Africa	Student Accommodation	- 40%	422 000
Rezorite Health and Rehabilitation Fund en Commandite Partnership	South Africa	Health Care Company	- 21.43%	264 668
Resultant Finance (Pty) Ltd	South Africa	Asset Rentals	600 15%	16 100
Trans African Concessions (Pty)Ltd	South Africa	Road Infrastructure	22 092 12.35%	2 629 000
Musa Group(Pty)Ltd)	South Africa	Financial Services	- 15%	314 438
The SA SME Fund Limited	South Africa	Various	- 21.47%	24 910
Clinix Health Group (Pty)Ltd	South Africa	Health Care	- 20%	136 518
UIF Agri Fund 1 en Commandite Partnership	South Africa	Agriculture	- 100%	519 104
			32 106	4 521 296

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates (continued)

Preference shares with associates

Description	Preference shares	Nature of business	Profit for the year	%Holding	Fair Value R'000
GURB Investment (Pty) Ltd	South Africa	Special purpose vehicle for investments	-	10	51 190
Educor Property Holdings (Pty) Ltd	South Africa	Property owning development	-	42	145 000
			-	-	196 190

UIF has preference shares issued by GURB Investment (Pty) Ltd valued at R51,190,319.00 interest is prime rate + margin compounded monthly. The preference shares are valued using discounted cash flows.

UIF has callable redeemable B preference shares issued by Educor Property Holdings (Pty) Ltd valued at R145 000 000 interest at 0%, redeemable after 5 years. The preference shares are accounted for using discounted cash flows. UIF converted the loan to Day Break Farms (Pty) Ltd to a non-cumulative redeemable participating "A" preference shares, interest is prime plus 400 basis points. The conversion value was R 119 228 642. UIF converted the debenture issued by Day Break to a non-cumulative redeemable participating "B" preference shares, interest is prime plus 400 basis points. The conversion value was R 551 152 680.

All associates share the same year end as the holding company except Educor Property Holdings(Pty) Ltd - 31 December, Kefolile Health Investments (Pty) Ltd - 30 June, Razorite Health and Rehabilitation Fund en Commandite Partnership - 28 February, Resultant Finance (Pty)Ltd - 28 February, Clinix Health Group - 30 September, The SA SME Fund Limited - 28 February and UIF Afgri-Fund 1 en Commandite Partnership - 31 December. The year ends are different because the entities deem their year ends the most suitable for their other stakeholders for decision making purposes.

Daybreak Farms (Pty) Ltd and Resultant Finance (Pty) Ltd had significant influence because they had material transactions with the UIF.

Gurb Investments (Pty) Ltd had significant influence because it had significant voting rights.

UIF did not have significant voting rights in UIF Afgri-Fund 1 en Commandite Partnership. The significant voting rights are with Futuregrowth Afgri-Fund (SA) - 1 GP (Pty) Ltd therefore the investment has been classified as an associate.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates (continued) Summarised financial statements R'000

	Daybreak Farms(Pty)Ltd: Management accounts as at 31 March 2018	GURB Investment Ltd : 31 March 2018	Educor Property Holdings (Pty) Ltd : 31 December 2017	Kefolile Health Investment (Pty)Ltd : Management accounts 31 March 2018
Current Assets	702 566	1 347	316 904	117 414
Non-Current Assets	784 657	135 000	1 655 925	880 864
Current Liabilities	(243 768)	(18 381)	(147 512)	(14 222)
Non-Current Liabilities	(370 225)	(87 000)	(1 089 859)	(1 369 000)
Equity/Net Asset/Net Liability	873 230	30 966	(720 179)	(356 499)
Revenue	2 619 567	-	149 616	44 960
Surplus/Deficit	282 643	(14 034)	45 631	(284 441)

UIF has a senior loan with Daybreak Farms (Pty) Ltd was converted to preference shares during the year

UIF has a debenture with Daybreak Farms (Pty) Ltd valued was converted to preference shares during the year.

UIF issued a senior loan to Kefolile Health Investments (Pty) Ltd worth R411 000 000 with 0% interest and the maturity date is 26 July 2016.

UIF has a loan with Musa Group (Pty) Ltd valued at R 314 438 051, interest is prime + 1% and is payable on 18 January 2027

UIF has a four loans with Resultant Finance (Pty) Ltd valued at R 170 494 450, R 22 128 790, R72 043 678, R 57 085 868 (Total R 321 752 786)

Summarised financial statements R'000

	Rezorite Health and Rehabilitation Fund en Commandite Partnership: 31 March 2018	Resultant Finance (Pty) Ltd: Management Accounts March 2018	South Point Mgt Services (Pty)Ltd - 28 February 2018	UIF Afri Fund 1 en Commandite Partnership: 31 December 2017	Trans African Concessions (Pty)Ltd: Management accounts 31 March 2018
Current Assets	73 913	78 770	76 045	98 569	1 976 229
Non-Current Assets	1 236 788	2 608	1 485 097	422 489	3 798 470
Current Liabilities	(1 985)	(28 797)	(103 968)	(2 534)	(1 372 680)
Non-Current Liabilities	(1 308 716)	(7 639)	(529 994)	-	(2 328 557)
Equity/Net Asset/Net Liability	-	42 333	927 179	518 523	2 073 463
Revenue	145 006	35 093	168 593	28 067	1 228 137
Surplus/Deficit	106 261	6 765	80 293	14 939	119 310

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates (continued)

Summarised financial statements R'000

	Musa Group (Pty)Ltd: Management accounts as at 28 February 2018	The SA SME Fund Limited : Draft 28 February 2018	Clinix Health Group (Pty) Ltd: Management s Accounts 31 March 2018
Current Assets	525 055	125 050	-
Non-Current Assets	1 603 298	570	-
Current Liabilities	(443 470)	(10 699)	-
Non-Current Liabilities	(1 585 125)	(64)	-
Equity/Net Asset/Net Liability	99 759	114 858	-
Revenue	137 915	6 599	-
Surplus/Deficit	(48 754)	(24 803)	-
Earnings before interest and dividends	-	-	31 531

UIF has a senior loan with Daybreak Farms (Pty) Ltd was converted to preference shares during the year.

UIF has a debenture with Daybreak Farms (Pty) Ltd valued was converted to preference shares during the year.

UIF issued a senior loan to Kefolile Health Investments (Pty) Ltd worth R411 000 000 with no interest and the maturity date is 26 July 2016. UIF has a loan with Musa Capital (Pty) Ltd valued at R 314 438 051, interest is prime + 1% and is payable on 18 January 2027. UIF has four loans with Resultant Finance (Pty) Ltd valued at R 170 494 450, R 22 128 790, R72 043 678, R 57 085 868 (Total R 321 752 786).

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates (continued)

2017

Unlisted

Total R 2,727,747,970.53

UIF has the following significant associates that are equity accounted:

Description R'000

Description	Opening Balance	Acquisitions (Disposals) equity	Profit for the year	Preference shares acquisition	Loan acquisition	Dividends	Closing Balance
Daybreak Farms (Pty)Ltd	420 633	-	(65 168)	-	-	-	355 465
Educor Property Holdings (Pty) Ltd	354 971	-	18 056	43 500	-	-	416 527
GURB Investment (Pty) Ltd	-	-	(301)	-	-	-	(301)
Kefoile Health Investment(Pty)Ltd	-	-	(31 802)	-	411 000	(10 360)	368 838
South Point Management Services (Pty)Ltd	332 093	-	18 962	-	-	-	351 055
Rezorite Health and Rehabilitation Fund en Commandite Partnership	95 117	89 604	32 493	-	-	-	217 214
Resultant Finance (Pty) Ltd	-	7 500	283	-	-	-	7 783
UIF Afri Fund 1 en Commandite Partnership	220 603	77 235	15 321	-	-	-	313 159
Musa Group (Pty) Ltd	248 001	(1)	1 674	-	-	-	249 674
Trans African Concessions (Pty)Ltd	-	443 342	6 191	-	-	(1 198)	448 335
	1 671 418	617 680	(4 291)	43 500	411 000	(11 558)	2 727 749

Description

Description	Principal Place of Business	Nature of business	Dividends	Shareholding	Fair Value
Daybreak Farms (Pty) Ltd	South Africa	Farming	-	12.00 %	-
GURB Investment (Pty) Ltd	South Africa	Special Purpose Vehicle for Investment	-	10.00 %	-

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates (continued)

Educor Property Holdings (Pty) Ltd	South Africa	Property owning & development company	-	42.00 %	165 549
Kefolile Health Investment (Pty) Ltd	South Africa	Health Care Company	10 360	30.00 %	-
Rezorite Health & Rehabilitation Fund en Commandite Partnership	South Africa	Health Care Company	-	21.43 %	218 030
Resultant Finance (Pty) Ltd	South Africa	Asset Rentals	-	15.00 %	10 600
South Point Mgt Services	South Africa	Student Accommodation	-	40.00 %	388 700
UIF Agri-Fund 1 en Commandite Partnership	South Africa	Agriculture	-	100.00 %	329 346
Musa Group (Pty) Ltd	South Africa	Financial Services	-	15.00 %	280 922
Trands African Concessions (Pty)Ltd	South Africa	Road Infrastructure	1 198	12.34 %	167 400
			11 558	297.77 %	1 560 547

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates (continued) Preference Shares with associates

	Principal place of business	Nature of business	Dividends	Shareholding Fair Value
GURB Investment (Pty) Ltd	South Africa	Special Purpose Vehicle for Investment	-	10.00 %
Educor Property Holdings (Pty) Ltd	South Africa	Property owning & development company	-	42.00 %
			-	52.00 %
				192 710

UIF has preference shares issued by Gurb valued at R47 710 693, interest is prime rate + margin compounded monthly. The preference shares are valued using discounted cash flows. UIF has loan with Kefolile Health Investments (Pty) Ltd, the loan was valued at R411 000(unimpaired) and R411 000(recoverable). UIF has callable redeemable B preference shares issued by Educor valued at R145 000 000, interest at 0%, redeemable after 5 years. They are valued using discounted cash flows.

All associates share the same year end as the holding company except Educor Property Holdings - 31 December, Kefolile Health Ascendis Health (Pty) Ltd - 30 June, Razorite Health and Rehabilitation Fund - 28 February, Resultant Finance Equity - 28 February and UIF Agrifund - 31 December. The year ends are different because the entities deem their year ends the most suitable for their other stakeholders for decision making purposes.

Daybreak Farms(Pty)Ltd and Resultant had significant influence because they had material transactions with the UIF .

Gurb Investment Holdings (Pty) Ltd had significant influence because it had significant voting rights

UIF did not have significant voting rights in UIF Agrifund 1 en Commandite Partnership . The significant voting rights are with Futuregrowth Agri-Fund South Africa therefore the investment has been classified as an associate.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates (continued) Summary of Financial Information R'000

	Daybreak Farms(Pty)Ltd: 31 March 2017	GURB Investment (Pty) Ltd: 31 March 2017	Educor Property Holdings (Pty) Ltd: 31 December 2016	Kefolile Health Trands African Concessions (Pty)Ltd: 31 July 2017
Current Assets	544 773	2 697	342 784	869
Non-Current Assets	838 188	105 000	1 033 272	1 175 066
Current Liabilities	(777 190)	(10 210)	(85 510)	(2 098)
Non-Current Liabilities	(1 639 020)	(87 000)	(585 107)	(1 369 000)
Equity/Net Asset/Net Liability	(1 033 249)	10 486	705 440	(195 163)
Revenue	2 037 267	-	105 345	72 804
Surplus/Deficit	(543 070)	(4 513)	42 989	(145 960)

Summary of Financial Information R'000

	Rezortite Health & Rehabilitation Fund(Pty) Ltd : 28 February 2017	South Point Mgt Services Fund 1 en (Pty) Ltd: 28 February 2017	UIF Agri-Commandite Partnership: 31 December 2016	Musa Group (Pty) Ltd: 31 February 2017
Current Assets	59 474	19 515	55 517	53 296
Non-Current Assets	961 489	2 357	1 098 318	269 293
Current Liabilities	(3 558)	(624)	(186 985)	(2 629)
Non-Current Liabilities	(1 017 406)	(1 472)	(119 963)	-
Equity/Net Asset/Net Liability	-	19 775	846 887	319 960
Revenue	195 776	9 765	166 587	27 611
Surplus/Deficit	151 622	4 521 R	47 405 R	15 321 R

- UIF issued a senior loan with Daybreak Farms(Pty) Ltd valued at R113 247 706 interest is prime - margin and is repayable in 10 years on 27 May 2025.
- UIF has issued debenture with Daybreak Farms(Pty) Ltd valued at R127 016 614 interest of 15% and it matures in 10 years on 27 May 2025.
- UIF issued a senior loan to Kefolile Health Investments (Pty)Ltd valued R411 000 000 with no interest and the maturity date is 26 July 2016.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000
17. Investments		
Designated at fair value		
Listed shares	41 398 291	39 902 694
Bonds	89 947 230	76 628 755
Bills and Negotiable Certificates of Deposits	2 030 848	1 308 035
Promissory Notes	1 371 288	1 374 019
Derivative 1	106 964	-
	134 854 621	119 213 503
At amortised cost		
Loans and receivables	5 792 812	3 527 044
Investment income receivable	244 473	220 980
Fixed deposits	10 592 716	10 321 951
	16 630 001	14 069 975
Total investments	151 484 622	133 283 478
Non-current assets		
At fair value through surplus or deficit	87 916 603	74 894 300
At amortised cost	5 792 812	3 527 044
	93 709 415	78 421 344
Current assets		
At fair value through surplus or deficit	46 938 018	44 319 203
At amortised cost	10 837 189	10 542 931
	57 775 207	54 862 134
	151 484 622	133 283 478

18. Receivables from exchange transactions

Rent receivable	1 189	3 750
Provision for impairment of rental debtors	(268)	(336)
Sundry debtors	139	1 457
Provision for impairment of sundry debtors	(37)	(1 335)
PPP Reinvestment Fund	370	324
Bank interest receivable	1 418	6 770
Uncleared bank deposits	(143)	13
	2 668	10 643

Disallowances/overpayments debt

Disallowances/overpayments debt balance decreased from R188,384,777.80 in 2016/17 to R137,369,945.48 in 2017/18 due to the recovery of overpayment debt.(2016/17: 11.3% to : 2017/18 27%)

Risk of paying benefits in error

Inherent business risk of paying benefits in error with reference to the Unemployment Insurance Act:

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

The UI Act proclaims:

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

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

The accuracy, completeness and timeliness of the information in the UIF declaration database impacts on the correctness of the calculation of benefits and payments. Based on available employee information the calculation can be less or more than the entitlement, which creates possible liabilities or debtors 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 Unemployment Insurance Fund's claims approval process requires affidavits from the applicants that at the time of application for unemployment benefits he/she "is not in receipt" of benefits from the Compensation Fund and is unemployed.

The lack of timely employee information and misrepresentation from claimants' compromise controls to prevent claims been paid to claimants whilst "in receipt" of benefits from the Compensation Fund and is employed. The Fund confirms with the Compensation Fund where possible whether claimants are in receipt of Compensation Benefits.

Adjudication/Updated employee information received

Electronic adjudication functionality was introduced by the Fund to enable detection of transactions or entries with discrepancies when updated employee information is received from the employer. Exceptions Assessors investigation reveal that these discrepancies results in either overpayments or underpayments being raised, in some cases the discrepancy results in no financial transaction or correction required. The underpayments raised as a liability 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.

Overpayment Policy

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

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 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 R64,556,665.49; in set-offs R61,667,580.10 and bank deposits R2,889,085.39. For the financial year ending 31 March 2017 the Fund collected R60,757,926.74 in total; set-offs R56,523,811.79 and bank deposits R4,234,114.95

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

Receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2018, R 227,714.55 - (2017: R 1,938,026-) were past due but not impaired.

The amounts past due but not impaired are as follows:

PPP Re-Investment Fund	370	324
Bank interest receivable	1 418	6 769
Uncleared bank deposits	(143)	13
	1 645	7 106

No provision for impairment was made for the PPP Reinvestment Fund as the funds are held in a deposit bank account. No provision for impairment was made on bank interest receivable due to the fact that the interest is received within days in the new financial year.

Uncleared bank deposits at year-end are cleared within seven days in the new financial year.

Receivables from exchange transactions impaired

As of 31 March 2018, trade and other receivables - "rent receivable" of R1,188,743.55 were impaired with R 268 245.01 (2017 : R 3,750,405.96 were impaired with R 335, 524.98).

The ageing of trade and other receivables - "rent receivable" is as follows:

0 to 3 months	108	1 557
3 to 6 months	182	332
Over 6 months	899	1 861
	1 189	3 750

As of 31 March 2018, trade and other receivables - "sundry debtors" of R 138,704.13- (2017: R 1,457,011.41) were impaired

The amount of the provision was R 36,770.85 as of 31 March 2018 (2017: R 1,335,298.79).

The ageing of trade and other receivables - "sundry debtors" is as follows:

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000
0 to 3 months	-	141
3 to 6 months	-	1
Over 6 months	139	1 314
	139	1 456

Reconciliation of provision for impairment of trade and other receivables

Opening balance	1 671	1 553
Provision for impairment	(1 366)	118
	305	1 671

The creation and release of provision for impaired trade and other receivables - financial assets, have been included in administrative expenses in the statement of financial performance. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The provision for impairment was only made for rent receivable from third parties. Rent receivable includes rent receivable from other Government Departments for which no provision for impairment was made.

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

No provision for impairment was made for prepayments as these receivables originate from transactions entered into with other Government Departments and UIF staff.

Trade and other receivables - financial assets are individually impaired when there is objective evidence that the asset is impaired.

19. Receivables from non-exchange transactions

Transactions under investigation debt	14 300	12 693
Provision for impairment of transactions under investigation debt	(14 300)	(12 693)
Disallowances and overpayments debt	137 370	188 385
Provision for impairment of disallowances/overpayments debt	(135 445)	(186 198)
Legal claims - contributions debt	9 070	9 335
Provision for impairment of legal claims debt	(9 069)	(9 334)
Prepayments	7 508	4 914
	9 434	7 102

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

Provision for impairment of transactions under investigation debt

Opening balance	12 692	10 801
Provision for impairment	1 608	1 891
	14 300	12 692

Provision for impairment of disallowances/overpayments debt

Opening balance	186 199	208 099
Movement in prior year provision	(3 410)	(3 748)
Amounts written off as uncollectible	(99 406)	(79 887)

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
19. Receivables from non-exchange transactions (continued)		
New provision	63 640	61 735
Recovered	(10 742)	-
Cancelled	(835)	-
	135 446	186 199

Provision of impairment of legal claims - contribution debt

Opening balance	9 335	9 483
Movement in prior years	(18)	(4)
Amounts written off as uncollectible	(793)	(897)
Recovered	(74)	-
New provision	621	753
	9 071	9 335
	158 817	208 226

Provision for impairment for "transactions under investigation" is provided for the total carrying value as the ability to recover the money is unknown and very limited at best since some transactions are still under investigation and dependant on court ruling. Provision for impairment for "disallowances/overpayments" and "legal claims" are individually impaired when there is objective evidence that the asset is impaired as per set business rules and a formula based on prior recovery experience.

20. Statutory Receivables

Funds held at National Treasury

Funds at National Treasury are Contribution Revenue collected by SARS, declared as owing to the UIF on reporting date through the National Revenue Account. The funds do not earn interest and the amount is payable to UIF as per the Unemployment Insurance 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 National Revenue Fund to the Unemployment Insurance Fund. Funds are requested by the Unemployment Insurance Fund via the Department of Labour.

National Treasury	1 657 480	1 718 672
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21. Cash and cash equivalents

Cash on hand	-	10
Bank balances	2 719 018	1 297 424
Bank overdraft	(23)	(13)
	2 718 995	1 297 421
Current assets	2 719 018	1 297 434
Current liabilities	(23)	(13)
	2 718 995	1 297 421

Cash on hand and bank balances

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

21. Cash and cash equivalents (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is R2,718,993) (2017 R 1,207,421).

Bank overdraft

Bank overdrafts are due to bank accounts on which after trading hours transactions were processed and only cleared the following banking date that is after the reporting date. The Fund does not have approved overdraft facilities and accordingly there are not any unused bank overdraft facilities. None of the Fund's assets have been pledged as collateral of any kind.

22. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2018	Fair value (R'000)	Amortised Cost (R'000)	Non-financial assets (R'000)	Total (R'000)
Trade and other receivables	-	2 668	6 759	9 427
Statutory receivables	-	1 657 480	-	1 657 480
Investments - unit trusts (foreign)	4 784 929	-	-	4 784 929
Investments - listed equity	36 613 361	-	-	36 613 361
Derivatives	106 964	-	-	106 964
Investments - bonds	89 947 229	-	-	89 947 229
Investments - bills, promissory notes and certificate of deposits	3 402 136	-	-	3 402 136
Fixed deposits	-	10 592 716	-	10 592 716
Investment income receivable	-	244 473	-	244 473
Cash and cash equivalents	-	2 719 017	-	2 719 017
Loans and receivables	-	5 821 663	-	5 821 663
Investment property	-	-	9 181	9 181
Property, plant and equipment	-	-	119 936	119 936
Intangible assets	-	-	143 573	143 573
	134 854 619	21 038 017	279 449	156 172 085

2017	Fair value (R'000)	Amortised Cost (R'000)	Non-financial assets (R'000)	Total (R'000)
Trade and other receivables	-	10 643	7 102	17 745
Statutory receivables	-	1 718 672	-	1 718 672
Investments Unit Trusts	547 979	-	-	547 979
Investments Unit Trusts(Foreign)	4 658 660	-	-	4 658 660
Investments - Listed equity	35 244 034	-	-	35 244 034
Investment Bonds	76 628 755	-	-	76 628 755
Investments - Unlisted equity	1 064 095	-	-	1 064 095
Investments-bills,promissory notes and certificates of deposits	2 682 058	-	-	2 682 058
Fixed Deposits	-	10 321 950	-	10 321 950
Investment Income Receivable	-	220 980	-	220 980
Cash and cash equivalents	-	1 297 434	-	1 297 434
Loans and receivables	-	4 299 485	-	4 299 485

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

			2018	2017
			R '000	*Restated R '000
22. Financial assets by category (continued)				
Investment Property	-	-	1 990	1 990
Property, Plant and Equipment	-	-	102 166	102 166
Intangible Assets	-	-	149 455	149 455
	120 825 581	17 869 164	260 713	138 955 458

Fair values of financial assets by hierarchy level

The UIF adopted GRAP 104 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Fixed deposits and Loans and receivables are excluded from the table below since it is valued at amortised cost and not fair value.

Financial assets measured at fair value	Level 1	Level 2	Level 3
Bonds	44 699 014	45 248 216	-
Listed equities	36 613 362	-	-
Unlisted equities	-	-	1 786 417
Unit trusts:	-	-	781 632
Unit Trusts: (Foreign)	4 784 929	-	-
Bills	-	583 057	-
Promissory notes	-	1 371 288	-
Negotiable certificate of deposits	-	1 447 791	-
Derivative financial instruments	-	-	105 872
	86 097 305	48 650 352	2 673 921

Reconciliation of Level 3 values: Unit Trusts

Opening book value	508 137	341 298
Net capital movement in the period		
- Purchases	205 925	173 977
- Sales	-	(1 193)
- Management fees	8 484	(5 945)
Closing book value before return on investment	722 546	508 137
Closing book value	722 548	508 137
Plus:		
- Option surplus/deficit (realised surplus and deficit)	1 645	(182)
- Fair value adjustments (unrealised surplus and deficit)	59 084	25 174
Less:		
- Fair value adjustments (unrealised surplus and deficit)	(60 729)	(24 991)
Closing book value after return on investment	722 548	508 138

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
22. Financial assets by category (continued)		
Mark to market		
Book value	722 548	508 137
Fair value adjustment	59 084	25 174
Market value of investment	781 632	533 311
Reconciliation of Level 3 fair value : Derivatives HFT Equity Options	2018	2017
Option surplus/deficit (realized surplus and deficit)	(628 073)	-
Fair value adjustment (unrealised surplus and deficit)	105 872	(36 974)
Less: Fair Value adjustmet (unrealised surplus and deficit)	522 201	36 974
Fair value adjustment	105 871	(36 974)
	105 871	(36 974)
Reconciliation of Level 3 values: Unlisted equity		
Opening book value	1 125 843	675 001
Net capital movement in the period		
- Purchases	1 360 747	449 739
- Sales	(443 039)	-
- Management fees	(1 103)	1 103
Closing book value before return on investment	1 360 747	1 125 843
Closing book value	2 042 448	1 125 843
Plus:		
- Fair value adjustments (unrealised surplus and deficit)	(256 031)	63 686
Less:		
- Fair value adjustments (unrealised surplus and deficit)	256 031	(63 686)
Closing book value after return on investment	2 042 448	1 125 843
Mark to market		
Book value	2 042 448	1 125 843
Fair value adjustment	(256 031)	63 686
Market value of investment	1 786 417	1 189 529
23. Derivative financial instrument		
The Fund has adopted a conservative approach to investment in equities. To remove the risk of capital loss to the equity portfolio, the Fund uses Over-the-counter (OTC) equity options to hedge its exposure to changes in the fair value of its equity portfolio. The Fund also utilises zero-cost-fences to lock in acceptable levels of upside and downside movements on the equity portfolio.		
Current		
Equity/index contracts		
OTC Equity options - liability	-	36 123
OTC Equity options - Assets	106 964	-
	106 964	36 123

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

23. Derivative financial instrument (continued)

The structure comprises of bought and sold put options and bought call options at strike prices which provide a zero premium at inception of the structure. This protects the capital base of the equity portfolio.

24. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Adjustment provision for the year R'000	Total
Other provisions	27 739	(1 305)	26 434

Reconciliation of provisions - 2017

	Opening Balance	Adjustment provision for the year R'000	Total
Other provisions	25 817	1 922	27 739

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.

25. Payables from exchange transactions

Trade payables	207 002	267 569
Salary accrual	36 030	31 886
Current leave pay accrual	42 708	44 815
Deposits received	5 703	6 309
	291 443	350 579

Trade payables

Trade 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.

26. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

26. Financial liabilities by category (continued)				
2018	Amortised cost (R'000)	Fair value through surplus/deficit (R'000)	Non-financial liabilities (R'000)	Total (R'000)
Provisions	-	-	26 434	26 434
Trade and other payables	248 736	42 708	-	291 444
Bank overdraft	23	-	-	23
Benefits liability	-	-	15 170 114	15 170 114
	248 759	42 708	15 196 548	15 488 016

2017	Amortised cost (R'000)	Fair value (R'000)	Non-financial liabilities (R'000)	Total (R'000)
Provisions	-	-	27 739	27 739
Derivative financial liability	-	36 123	-	36 123
Trade and other payables	304 149	44 815	-	348 964
Bank overdraft	13	-	-	13
Benefits liability	-	-	6 832 448	6 832 448
	304 162	80 938	6 860 187	7 245 287

27. Benefits liability		
Benefits payable - Technical provision: estimated reported benefits payable and claims incurred but not reported (IBNR)		
Opening balance	5 943 574	3 647 178
Net movement in estimate	7 157 243	2 296 396
Provision for benefit payments - current year	10 841 567	6 427 705
Revised ultimate claim amounts - prior years	(119 424)	581 670
Claims paid - prior years	(3 564 901)	(4 739 980)
	13 100 817	5 943 574
Benefits payable - approved		
Opening balance	6 253	6 870
Claims approved	9 238 565	8 477 740
Payments made	(9 227 370)	(8 478 357)
	17 448	6 253
Total benefits liability	13 118 265	5 949 827

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

28. Fair value of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of the Fund's financial instruments that are carried in the financial statements. The table does not include the fair value of non-financial assets and non-financial liabilities.

Financial assets	2018 Carrying value (R'000)	2018 Fair value (R'000)	2017 Carrying value (R'000)	2017 Fair value (R'000)
Fair value - unit trusts	-	-	547 979	547 979
Fair value - unit trusts (foreign)	4 784 829	4 784 829	4 658 660	4 658 660
Fair value - listed equity	36 613 361	36 613 361	35 244 034	35 244 034
Fair value - unlisted shares	-	-	1 064 095	1 064 095
Derivative	106 964	106 964	-	-
Fair value - bonds	89 947 229	89 947 229	76 628 755	76 928 755
Fair value - certificate of deposits, promissory notes and bills	3 402 136	3 402 136	2 682 054	2 682 054
*Amortised cost - loans and receivables	5 821 663	5 821 663	4 299 485	4 299 485
* Amortised cost - fixed deposits	10 592 716	10 592 716	10 321 950	10 321 950
* Amortised cost - investment income receivable	244 473	244 473	220 980	220 980
* Amortised cost - cash and cash equivalents	2 719 017	2 719 017	1 297 434	1 297 434
* Amortised cost - trade and other receivables				
- Rent receivable	1 189	1 189	3 750	3 750
- Sundry receivables	139	139	1 457	1 457
- PPP Reinvestment Fund	370	370	324	324
- Bank interest receivable	1 418	1 418	6 770	6 770
- Uncleared bank deposits	(143)	(13)	13	13
Financial liabilities				
	2018 Carrying value (R'000)	2018 Fair value (R'000)	2017 Carrying value (R'000)	2017 Fair value (R'000)
Fair value - derivative liability	-	-	36 974	36 974
Amortised cost - trade and other payables				
- Trade payables	207 003	207 00	265 954	265 954
- Salary accrual	36 030	36 030	31 886	31 886
- Deposits received	5 703	5 703	6 308	6 308
* Amortised cost - bank overdraft	23	23	13	13

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
28. Fair value of financial instruments (continued)		
* Assets and liabilities for which fair value approximates carrying value		
Financial assets and financial liabilities that are liquid or have a short term maturity (less than three months) it is assumed that their carrying amounts approximate their fair value. This assumption is also applied to demand deposits, saving accounts without a specific maturity (PPP Investment Account) and variable financial instruments.		
Fixed rate financial instruments		
Fixed interest bearing deposit carrying amounts are assumed to approximate to their fair value because the maturity of all the deposits are less than 12 months.		
29. Cash generated from operations		
Surplus	13 509 822	12 550 665
Adjustments for:		
Depreciation and amortisation	48 101	42 238
Income from equity accounted investments	(91 707)	13 896
Fair value adjustments	(3 859 251)	1 786 736
Investment Income	(9 354 313)	(9 029 121)
Impairment deficit	450	8 123
Movements in provisions	(1 305)	1 922
Benefits payable actuarial valuation adjustment	-	552 263
Changes in working capital:		
Receivables from exchange transactions	7 975	(6 787)
Loans and receivables	(23 493)	39 639
Other receivables from non-exchange transactions	(2 332)	(5 565)
Derivative Financial Asset	(106 964)	-
Effect of statutory receivable misstatement	-	2 992 343
Statutory receivables	61 191	(1 496 172)
Trade payables - provision reversal	1 615	1 616
Payables from exchange transactions	(59 136)	36 989
Derivative final valuation adjustment	-	851
Benefits Payable	11 195	(617)
Benefits payable - technical provision	7 157 243	1 715 516
Derivative financial instruments	(36 123)	36 123
	7 262 968	9 240 658

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

30. Contingencies

Litigation against the Fund

The following cases were lodged against the Fund during the 2017/2018 financial year

- 1)S Khempele vs The Minister of Department of Labour amount still to be determined for Payment of Unemployment Benefits of Ex-Mine Worker case still pending.
- 2)H. Saqqid vs Minister of Labour amount claimed R 30,000.00 for Unemployment Benefits case still pending.
- 3)H.Phili vs The Minister of Labour amount claimed R 8,076.73 for Maternity Benefits case still pending.
- 4)B.P Mzamo vs UIF and another amount claimed R 40,000,00 for Cancellation of the Mortgage Bond case still pending.
- 5)MICT Seta vs UIF and another : First Claim R 3,440,766.00 Second Claim R 11,411,847.77 for Payment of services rendered in terms of the Funding Agreement the matter was finalised.
- 6)BE Ndlovu vs The Minister of the Department of Labour amount claimed R 13,975.28 for Death/Dependant's Benefits case still pending.
- 7)V.Tengo vs The Minister of the Department of Labour and another amount still to be determined for the Payment of Illness Benefit the case still pending.

In 2016/2017 Financial Year the following case was not disclosed in the AFS

- 1)V.Tengo vs The Minister of the Department of Labour and another amount still to be determined for the Payment of Illness Benefit the case still pending.

31. Commitments

In terms of National Treasury Guideline:GRAP 19 paragraph 11 states that commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements , if both of the following criteria are met :

- contracts should be non-cancelable or cancelable at significant cost,
- and contracts should relate to something other than the routine, steady and state business of the entity.

All the contractual commitments of Fund does not meet the National Treasury Guideline:GRAP 19 paragraph 11.

During 2016/2017 audit, contractual commitments were identified not to be in line with National Treasury Guideline (GRAP 19). The criteria states that contracts should be non-cancelable or cancelable at significant costs, and contracts should relate to something other than the routine, steady and state business of the entity.

Previously stated

Authorised contractual expenditure

IT Enablement

Contracted for but not provided for

- Accenture	-	92 148
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Insurance

Contracted for but not provided for

- FirstRand	-	2 811
- Marsh Alexander Forbes Risk Services	-	11

Actuarial Services

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000
31. Commitments (continued)		
Contracted but not provided for		
- QED Actuaries and Consultants (Pty) Ltd (Previously AON)	-	888
Professional Services		
Contracted for but not provided for		
- PricewaterhouseCoopers Inc	-	724
- Sekela Consulting	-	1 934
- VPS Africa	-	8 071
- Vodacom Communications	-	18
- New Integrated Credit Solution	-	4 627
- Nexus Lexus	-	34 411
Authorised but not contracted for		
- XDS Solutions	-	59 590
Other Commitments		
Contracted for but not provided for		
- Sundry suppliers	-	11 447
	-	216 680

Currently stated.

In terms of National Treasury Guideline:GRAP 19 paragraph 11 states that commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements , if both of the following criteria are met :

- contracts should be non-cancelable or cancelable at significant cost,
- and contracts should relate to something other than the routine, steady and state business of the entity.

All the contractual commitments of Fund does not meet the National Treasury Guideline:GRAP 19 paragraph 11.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

		2018	2017
		R '000	*Restated R '000

32. Prior-Period adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance prior-year adjustments, due to implementation of GRAP 7 and GRAP 8, as well as the amended Unemployment Insurance Act.

Statement of financial position

Adjustment

	Note	2016/17	2015/16	2014/15
Trade payable- provision (ref:1)		1 616	-	-
Technical reserve adjustment (ref:2)		(15 182 594)	-	-
Outstanding claims reserve adjustment (ref:3)		(1 629 689)	-	-
Daybreak Farms (Pty) Ltd: Investment in associate (ref:4a)		(65 168)	(62 797)	-
Daybreak Farms (Pty) Ltd Loan:(ref:4a)		(10 628)	(2 689)	-
Daybreak Farms (Pty) Ltd Debenture: (ref:4a)		308 070	(51 587)	-
Musa Group (Pty) Ltd: Loan (ref:4b)		253 314	(3 314)	-
Musa Group (Pty) Ltd: Investment in Associate (ref:4b)		1 674	(2 000)	-
Razorite Health & Rehabilitation Fund en Commandite Partnership: Investment in associate (ref:4c)		(26 481)	25 063	-
UIF Afgri-Fund 1 en Commandite Partnership: Investment in associate (ref:4d)		(10 338)	(84)	(5 765)
Educor Property Holdings (Pty) Ltd : Investment in associate (ref:4e)		4 026	(29)	-
Kefolile Health Investments (Pty) Ltd (ref:4f)		(31 802)	-	-
Kefolile Health Investments (Pty) Ltd(ref:4f)		(10 360)	-	-
Trans African Concessions (Pty) Ltd: Investment in associate (ref:5g)		282 133	-	-
Trans African Concessions (Pty) Ltd: Investment in associate:(ref:4g)		(1 198)	-	-
Gurb Investments (Pty) Ltd: Investment in associate (ref:4h)		(1 649)	-	-
Gurb Investments (Pty) Ltd: Preference Shares (ref:4h)		(4 211)	-	-
Resultant Finance (Pty) Ltd(ref:4i)		(2 817)	-	-
South Point Management Services (Pty) Ltd:(ref: 4j)		(19 021)	(18 624)	-
Kefolile Consumer Brands (Pty) Ltd: (ref:4k)		(9 604)	-	-
Kefolile Consumer Brands (Pty) Ltd: (ref:4k)		(1 708)	-	-
Royal Bafokeng Resources Properties (RF) (Pty) Ltd: (ref:5)		2 323	18 554	-
Busamed Modderfontein Private Hospital (RF) (Pty) Ltd: (ref:5)		4 066	(11)	-
Kefolile Health Investments Holdings (Pty) Ltd: (ref:5)		(69 395)	-	-
MOGS Pty (Ltd) and its subsidiaries: (ref:5)		51	-	-
L.A. Crushers (Pty) Ltd: (ref:5)		49 856	-	-
Kefolile Consumer Brands Holdings (Pty) Ltd: (ref:5)		(2 927)	-	-
Changes in benefits payable adjustment (ref:6)		328 741	553 880	-
		(15 843 720)	456 362	(5 765)

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

		2018	2017	
		R '000	*Restated R '000	
32. Prior-Period adjustments (continued)				
Statement of financial performance				
Adjustments				
	Note	2016/17	2015/16	2014/15
Consulting fees-professional agency (ref:1)		(1 616)	-	-
Technical reserve adjustment (ref:2)	15	182 594	-	-
Outstanding claims reserve adjustment (ref:3)		1 629 689	-	-
Daybreak Farms (Pty) Ltd: Investment in Associate (ref:4a)		65 168	62 797	-
Daybreak Farms (Pty) Ltd :Loan(ref:4a)		10 629	2 689	-
Daybreak Farms (Pty) Ltd: Debenture (ref:4a)		(308 070)	51 587	-
Musa Group (Pty) Ltd: Investment in associate (ref:4b)		(1 673)	2 000	-
Musa Group (Pty) Ltd: Loan (ref:4b)		(253 314)	3 314	-
Razorite Health & Rehabilitation Fund en Commandite Partnership : Investment in Associate (ref:4c)		26 481	(25 063)	-
UIF Afgri-Fund 1 en Commandite Partnership: Investment in Associate (ref:4d)		10 338	84	5 765
Educor Property Holdings (Pty) Ltd: Investment in Associate (ref:4e)		(4 026)	29	-
Kefolile Health Investments (Pty) Ltd (ref:4f)		31 802	-	-
Kefolile Health Investments (Pty) Ltd (ref:4f)		10 359	-	-
Trans African Concessions (Pty) Ltd: Investment in Associate (ref:4g)		(282 133)	-	-
Trans African Concessions (Pty) Ltd: Investment in associate (ref:4g)		1 198	-	-
Gurb Investments (Pty) Ltd: Investment in Associate (ref:4h)		1 649	-	-
Gurb Investments (Pty) Ltd: Preference Shares (ref:4h)		4 211	-	-
Resultant Finance (Pty) Ltd(ref:4i)		2 817	-	-
South Point Management Services (Pty) Ltd (ref:4j)		19 021	18 624	-
Kefolile Consumer Brands (Pty) Ltd(ref:4k)		9 604	-	-
Kefolile Consumer Brands (Pty)Ltd(ref:4k)		1 708	-	-
Royal Bafokeng Resources Properties (RF) (Pty) Ltd (ref:5)		(2 323)	(18 554)	-
Busamed Modderfontein Private Hospital (RF) (Pty) Ltd (ref:5)		(4 066)	11	-
Kefolile Health Investments Holdings (Pty) Ltd (ref:5)		69 395	-	-
MOGS Pty (Ltd) and its subsidiaries (ref:5)		(51)	-	-
L.A. Crushers (Pty) Ltd (ref:5)		(49 856)	-	-
Kefolile Consumer Brands Holdings (Pty) Ltd (ref:5)		2 927	-	-
Changes in benefits payable adjustment (ref:6)		(328 741)	(553 880)	-
		15 843 721	(456 362)	5 765

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

32. Prior-Period adjustments (continued)

Ref1) During 2016/17 audit it was noted that a provision was raised since 2013. It therefore failed to meet the definition of a current liability.

Ref2) The Unemployment Insurance Act was amended and signed into Law on the 18th of January 2017. The Technical Reserve in 2016/17 was not provided for.

Ref3) The Unemployment Insurance Act was amended and signed into Law on the 18th of January 2017. The Changes in Benefit payable in 2016/17 was not provided for.

Ref4) Investments in SRI's

a) Daybreak Farms (Pty) Ltd:

- UIF incorrectly did not impair the investment in Daybreak Farms (Pty) Ltd in the 2016 financial year.
- UIF incorrectly fair valued a loan issued to Daybreak Farms (Pty) Ltd. The loan was supposed to be measured at cost.
- UIF incorrectly fair valued a debenture issued to Daybreak Farms (Pty) Ltd. The debenture was supposed to be measured at cost.

b) Musa Group (Pty) Ltd:

- UIF incorrectly fair valued the loan issued to the associates.
- UIF incorrectly classified an associate as a normal investment.

c) Razorite Health & Rehabilitation Fund en Commandite Partnership:

- There was a calculation error on the financial statements that impacted the Investment in Associate.

d) UIF Afgri-Fund 1 en Commandite Partnership: Investment in Associate:

- The profit for the year for the UIF Afgri-Fund 1 en Commandite Partnership was incorrectly not included in the equity accounting of the associate.

e) Educor Property Holdings (Pty) Ltd:

- There was a calculation error that impacted the Investment in Associate.

f) Kefolile Health Investments (Pty) Ltd :

- There was a calculation error that impacted the Investment in Associate.
- UIF incorrectly accounted for dividends received from the associate.

g) Trans African Concessions (Pty) Ltd:

- There was a calculation error that impacted the Investment in Associate.
- UIF incorrectly accounted for dividends received from the associate.

h) Gurb Investments (Pty) Ltd

- There was a calculation error that impacted the Investment in Associate.
- UIF incorrectly fair valued the preference shares issued to the associates.

i) Resultant Finance (Pty) Ltd

- There was a calculation error that impacted the Investment in Associate.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

32. Prior-Period adjustments (continued)

j) South Point Management Services (Pty) Ltd

The following two events occurred in relation to South Point Management Services (Pty) Ltd.

1. There was a gain and loss of control of a subsidiary.
2. There was a calculation error that impacted the Investment in Associate.

At 14 April 2015 100% of South Point Management services (Pty) Ltd was purchased by Unemployment Insurance Fund at R800million. The reporting date for South Point Management Services (Pty) Ltd is 28 February because that is the financial year end that has been agreed by their stakeholders whereas the year end for Unemployment Insurance Fund is 31 March.

The loss of control was accounted for as follows:

At acquisition

Purchase consideration	R 780,000,000.00
Transaction costs	R 20,000,000.00
Total	R 800,000,000.00

As at 31 October 2015 UI disposed off 60% of the shareholding in South Point Management Services (Pty) Ltd thereby remaining with 40%. UIF lost control of the controlled entity and it became an associate because it has significant influence.

At disposal date - loss of control

Net asset value of South Point	(R 800,000,000.00)
Fair value of the consideration received	(R 484,000,000.00)
Fair value of the retained investment at fair value on loss of control date	(R 320,000,000.00)
Resulting difference if the gain/loss on disposal	(R 4,000,000.00)

UIF accounted for the gain on disposal of the 40% shareholding.

k) Kefolile Consumer Brands (Pty) Ltd

- There was a calculation error that impacted the Joint Venture.
- UIF incorrectly accounted for dividends received from the Joint Venture.

Ref 5

GRAP 104 Instruments

- GRAP 104 investments were adjusted to match the final valuation reports

Ref 6

- Changes in benefits payable adjustment due incorrect inclusion of handling expenses in the benefit provision

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
33. Emoluments		
The Director-General of Labour is the Accounting Authority of the Unemployment Insurance Fund.		
33.1. Directors (past and present) emoluments		
T.B. Seruwe (UI Commissioner) Resigned: 31 August 2016		
- Salary	-	435
- Expense allowances	-	96
- State contribution: Pension Fund	-	45
	-	576
Pumla Duma (Director: Labour Activation) Appointed in: 01 February 2018		
- Salary	134	-
- Expense allowances	1	-
- State contribution: Pension Fund	14	-
	149	-
T.S. Maruping (Commissioner) Appointed in position: 1 December 2016		
- Salary	1 246	1 052
- Expense allowances	31	23
- State contribution: Pension Fund	125	100
- Acting allowance	-	58
	1 402	1 233
A.S C. Fourie (Director: Treasury, Investments and Actuarial Services) Appointed in position: 1 June 2014		
- Salary	757	706
- Expense allowances	78	80
- State contribution: Pension Fund	33	80
- State contribution: Medical Aid	86	33
	954	899
M.R. Makgamatho (Director: Compliance) Appointed in position: 1 November 2014		
- Salary	829	778
- Expense allowances	69	57
- State contribution: Pension Fund	88	80
- State contribution: Medical Aid	16	16
	1 002	931
T.I Maphatane (Director : Risk Management) Appointed in position : 1 March 2018		
- Salary	67	-
- State contribution: Pension Fund	7	-

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
33. Emoluments (continued)	74	-
Z. Fololo (Director: Income and Accounts Receivable) Appointed in position: 1 December 2013		
- Salary	751	708
- Expense allowances	152	106
- State contribution: Pension Fund	85	80
- State contribution: Medical Aid	17	17
- Adjustment	(21)	-
	984	911
G.M. Buthelezi (Director: Communications) Appointed: 1 June 2014		
- Salary	798	747
- Expense allowances	87	84
- State contribution: Pension Fund	88	80
- State contribution: Medical Aid	5	5
- Long service award	10	-
	988	916
A.C Mathabela (Director: Organisational Effectiveness) Appointed : 1 February 2018		
- Salary	131	-
- State contribution: Pension Fund	18	-
	149	-
L.M. Molefe (Director: Organisational Effectiveness) Resigned: 1 September 2011		
- Salary	270	867
- Expense allowances	6	5
- State contribution: Pension Fund	31	72
- State contribution: Medical Aid	9	22
	316	966
Maria Ramoshaba (Director: Supply Chain Management) Appointed in position: 1 December 2017		
- Salary	287	-
- State contribution: Pension Fund	29	-
	316	-
L. Briedenhann (Director: Reporting) Appointed in position: 1 October 2008		
- Salary	970	927
- Expense allowances	-	5
- State contribution: Pension Fund	82	75

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
33. Emoluments (continued)		
- Performance award	-	87
	1 052	1 094
 H.A. Aderibigbe (Director: Budgets, Expenditure and Bank Recons) Appointed in position: 1 March 2005		
- Salary	967	868
- Expense allowances	21	30
- State contribution: Pension Fund	85	74
- State contribution: Medical Aid	16	16
- Performance award	-	47
	1 089	1 035
 V. Mulindi (Director: Internal Audit) Appointed in position: 1 January 2014		
- Salary	706	694
- Expense allowances	264	227
- State contribution: Pension Fund	89	81
- Adjustments	(1)	(36)
	1 058	966
 J. Kumbi (Chief Director: Operations) Appointed in position: 1 March 2012		
- Salary	854	752
- Expense allowances	151	158
- State contribution: Pension Fund	84	72
- State contribution: Medical Aid	23	23
- Acting allowance	48	-
	1 160	1 005
 H.D. Mhlongo (Chief Director: Corporate Services) Appointed in position: 1 March 2013		
- Salary	823	752
- Expense allowances	321	301
- State contribution: Pension Fund	89	84
- Adjustments	(25)	(2)
- Performance award	50	-
	1 258	1 135
 T.S. Puzi (Chief Financial Officer) Appointed: 1 April 2016		
- Salary	981	911
- Expense allowances	163	160
- State contribution: Pension Fund	99	90
- State contribution: Medical Aid	34	34
	1 277	1 195

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
33. Emoluments (continued)		
P. Roux (Director : Human Resource Management)		
Appointed: 1 April 2016		
- Salary	818	772
- Expense allowances	40	38
- State contribution: Pension Fund	86	80
- State contribution: Medical Aid	8	8
- Performance Bonus	-	34
- Acting allowance	-	25
	952	957
P.A Ragavaloo (Director: Provincial Support)		
Appointed:1 July 2016		
- Salary	765	493
- Expense allowances	131	93
- State contribution: Pension Fund	88	61
- Resettlement Fees	-	50
- Performance Bonus	-	49
	984	746
M.W Nape (Director: Labour Activation Programmes)		
Appointed: 1 April 2016		
- Salary	862	769
- Expense allowances	17	15
- State contribution: Pension Fund	86	80
	965	864
M.S Mono (Director: Labour Activation Programmes)		
Resigned: 1 April 2016		
- Salary	-	847
- Expense allowances	-	62
- State contribution: Pension Fund	-	72
- Adjustment	-	(1)
	-	980
S.F Zungu (Director: Labour Activation Programmes)		
Appointed: 1 April 2016		
- Salary	847	814
- Expense allowances	31	46
- State contribution: Pension Fund	86	80
- State contribution: Medical Aid	17	17
- Adjustment	-	(2)
- Resettlement	-	50
	981	1 005

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
33. Emoluments (continued)		
X. Monakali (Chief Information Officer)		
Appointed: 1 August 2015		
- Salary	862	802
- Expense allowances	6	6
- State contribution: Pension Fund	86	80
	954	888
 D.J. Khumalo (Director: Monitoring and Evaluation)		
Appointed in position: 1 November 2006		
- Salary	934	787
- Expense allowances	122	111
- State contribution: Pension Fund	107	88
- State contribution: Medical Aid	21	21
- Adjustment	(14)	-
- Long service award	10	-
	1 180	1 007
 M. Rasebopye (Director: SCM)		
Resigned: 31 July 2016		
- Salary	-	218
- Expense allowances	-	36
- State contribution: Pension Fund	-	28
- State contribution: Medical Aid	-	9
	-	291
 L. van Wyk (Director: Office of the UIC)		
Transferred from the Compensation Fund: 1 September 2015		
- Salary	691	654
- Expense allowances	180	182
- State contribution: Pension Fund	86	80
- Long service award	-	9
	957	925
 Advocate M.C. Phathela (Legal and Board Services)		
Appointed: 1 September 2009		
- Salary	675	649
- Expense allowances	297	281
- State contribution: Pension Fund	77	72
- State contribution: Medical Aid	8	8
- Adjustment	(27)	(39)
	1 030	971
 N.B. Mconywa (Chief Director: Labour Activation Programmes)		
Transferred from the Department of Labour: 1 March 2013		
- Salary	1 042	989
- Expense allowances	96	107

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
33. Emoluments (continued)		
- State contribution: Pension Fund	95	89
- State contribution: Medical Aid	9	9
	1 242	1 194

33.2. Non-Executive Board members (past and present) fees

2018 Board Members	Appointment date	Fees for service	Expense allowance
A. Crawford	November/06/ 2014	24	2
L. Kganyago	November/06/ 2014	56	-
J. Mahlangu	November/06/ 2014	21	3
D. Mthalane	November/06/ 2014	34	30
NE. Nwedo	November/06/ 2014	67	7
WM. Nzimande	January/29/ 2013	58	-
GH. Strauss	November/06/ 2014	134	60
T. Tshefuta	November/06/ 2014	67	91
D. Maphoto	November/01/ 2017	16	1
M. Matshani	November/01/ 2017	14	2
M. Mchunu	November/01/ 2017	15	1
NMW. Vermeulen	November/06/ 2014	90	4
		596	201

Audit & Risk Committee	Date of appointment	Fees for service	Expense allowance
D. Botha	January/22/ 2016	215	1
D.Hlatshwayo	Resigned	201	5
Dr P. Dala	January/22/ 2016	168	3
		584	9

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

		2018	2017
		R '000	*Restated R '000
33. Emoluments (continued)			
Appeals committee			
	Type	Fees for service	Expense allowances
AB. Gxoyiya	Regional	1	-
T. Mabuza	Regional	28	6
CP. Maseko	Regional	5	-
PGF. Ndaba	Regional	14	16
JD. Nzanzeka	Regional	13	1
A. Ott	Regional	2	-
LW. Palweni	Regional	1	-
JG. Van Graan	Regional	1	-
BS. Zitha	Regional	5	-
		70	23
2017			
Board members	Appointment date	Fees for service	Expense allowance
NMW. Vermeulen	November/01/2014	123	4
HG. Strauss	November/01/2014	150	59
L. Kganyago	November/01/2014	38	1
WM. Nzimande	January/29/2013	50	-
A. Crawford	November/01/2014	33	3
A. Franks	November/01/2014	4	-
J. Mahlangu	November/01/2014	24	5
D. Mthalane	November/01/2014	51	38
NE. Nwedo	November/01/2014	58	7
T. Tshefuta	November/01/2014	55	60
		586	177
Audit committee	Date of appointment	Fees for service	Expense allowance
D. Hlatshwayo	March/05/2015	373	8
D. Botha	January/22/2016	59	-
		432	8
Appeals committee	Date of appointment	Fees for service	Expense allowance
AP. Brandmuller	Regional	2	-
LE. Baloyi	Regional	2	-

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

		2018	2017
		R '000	*Restated R '000
33. Emoluments (continued)			
N. Gceba	Regional	1	3
K. Hloyana	Regional	3	-
T. Mabuza	Regional	3	3
CP. Maseko	Regional	5	-
RBT. Mcetywa	Regional	1	-
M. Moleme	Regional	3	-
PGF. Ndaba	Regional	3	3
JD. Nzanzeka	Regional	7	-
A. Ott	Regional	4	-
LW. Palweni	Regional	2	-
SM. Seabi	Regional	4	2
JJ. Tshupe	Regional	2	1
JG van Graan	Regional	2	1
BS. Zitha	Regional	3	-
O. Raleka	Regional	6	-
		53	13

During 2016/2017 audit the non-executive director emoluments was misstated.

Audit committee	Currently stated	Previously
D. Botha	59	15

* Board Members who served on the Audit Committee.

34. Transactions under investigation

The Fund is vulnerable to fraudulent claims and is dependent on employee information supplied by employers via declarations and claimants' affidavits that they are unemployed. The Fund ensures that its systems and procedures are robust to detect and prevent payments made in error and/or fraudulent payments where possible.

Transactions under investigation are transactions when there is objective evidence requiring investigation by Risk Management such as intercepted payments, office errors, bank errors, unauthorised bank transactions, incorrect contribution refunds and all other transactions where objective evidence require investigation. Risk Management Transactions are categorised in Transactions under investigation and Actual Fraud Detected and form part of "Trade and other receivables" – non financial assets.

Actual fraud detected - benefits	14 023	12 381
Actual fraud detected - non benefits	281	281
Transaction under investigation	(4)	30
	14 300	12 692
Impairment	14 300	12 692

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

34. Transactions under investigation (continued)

Transactions under investigation are 100% impaired until evidence exist that measurable and probable economic benefits will flow to the Fund or there is no recovering probability and amounts are written off against the debtor's account. The portion not impaired for during the financial year under review are new transactions under investigation for which the recovering probability was not certain. Recoveries of amounts previously written off are disclosed against "other income" in the statement of financial performance.

35. Write off of overpayments

Overpayments – Irrecoverable

The Overpayment Policy and Procedures of the Fund makes provision for write-off of debts that are deemed 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 Public Finance Management Act.

Included in the "administrative expenses" is an amount of R100,879,703.14(2017: R67,312,453.36) for irrecoverable overpayments which were written off during the financial year.

Overpayments written off

Irrecoverable overpayments	100 880	67 312
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Cancellation of Invalid Overpayments

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 new one created and/or
- Proof of prior payment in the LINC system and/or
- Overpayment erroneously created against an incorrect debtor

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000
36. Irregular expenditure		
2018		
Reconciliation of Irregular Expenditure		
Opening balance	99 953	64 456
Irregular expenditure - relating to current period	45 734	35 497
Less: Amount condoned relating to prior year	(35 319)	-
Less: Amount reclassified	(29)	-
Less: Amounts confirmed as non-irregular	(149)	-
	110 190	99 953

The following irregular expenditure has been incurred:

Expenditure to the amount of R 110 190 819.15 have been confirmed as irregular and relates to contracts entered into between the Fund and Service Providers. An amount of R 86 870 456.20 was paid to Accenture and it was found irregular due to a breach in Section 5 of the SCM practice note number 3 of 2003 since the procurement process was not fair, transparent and competitive. Expenditure relating to CQS R 2 768 619.94, Nine IT Systems Pty Ltd R 2 016 897.08 and VPS to the amount of R10 232 286.42 were found irregular since the original contract value was exceeded with 15%. Expenditure for XDS R 4 111 700.19 was confirmed as irregular due to a breach in the SCM Policy.

The amount of R 35 319 760.00 disclosed in the 2016-2017 financial year for Merseta, MQA and EWSETA has been regularised and hence the amount is being removed from the 2017-2018 financial year. An amount of R 28,782.72 was disclosed in the 2016-2017 financial year as irregular expenditure. However this has been reclassified as fruitless and wasteful expenditure and it will be removed from the irregular expenditure note.

The amount disclosed within the 2016-2017 financial year for Riscura Solutions Pty Ltd has been investigated and confirmation has been received that no irregular expenditure has incurred.

An amount of R 32,377,744.08 is under investigation for possible irregular expenditure incurred.

37. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	29	29
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Fruitless and wasteful expenditure was not disclosed in the 2016/2017 Annual Financial Statements

The expenditure was R 28,782.72 in respect of the interest payable to Toyota which accumulated as a results of the delayed payments of the shortfall amount in relation of the (4) Toyota Corolla procured through the RT57 still at the transversal contract.

An amount of R 25,869,510.26 is under investigation for expenditure deemed as fruitless and wasteful for SAP licence fees and support, and a lease agreement entered into.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management

Introduction

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 Public Finance Management Act (Act no. 1 of 1999).

Unemployment Insurance Board

The Fund's Board recommends the principles for overall risk strategy, as well as policies covering specific 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 Board appointed sub-committees such as the Financial and Risk Advisory Committee (previously Finance Advisory Committee) to oversee special areas of risk.

Investment Committee (Sub Committee of Unemployment Insurance Board)

The Investment Committee provides oversight on investment management to the UIF in considering all investment performance and management reports to be presented to the Board and makes recommendations to both the Board and Management. The Committee ensures the maintaining of Risk related procedures by recommending investment mandate that 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.

PIC – Risk Parameters

Monitoring and controlling risks are primarily performed based on limits established by the Fund. These limits reflect the business strategy and market environment of the Fund as well as the level of risk that the Fund is willing to accept. In addition, the Fund monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from businesses units and the Asset Manager is examined and processed in order to analyse, control and identify early risks by Management and the Investment Committee. This information is presented and explained to the Unemployment Insurance Board that makes the necessary recommendations to the Accounting and Executive Authority. The PIC in addition executes their investment management processes according to their own risk management policy and procedures.

Capital Management

Approach to capital management

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

The Unemployment Insurance Fund seeks to optimise the structure and source of capital to ensure a sustainable organization that can meet its Unemployment Insurance obligations as per the Unemployment Insurance Act (Act no. 63 of 2001) and consistently strive 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

Regulators are primarily interested in protecting the rights of registered Employers and Employees and monitor the Fund closely to ensure that Management is satisfactorily managing affairs for their benefit.

At the same time, regulators are also interested in ensuring that the Fund maintains an appropriate solvency position to meet liabilities arising from unemployment.

The Fund collects and receives contributions under the Unemployment Insurance Contributions Act (Act no. 4 of 2002).

In accordance with the Unemployment Insurance Act (Act no. 63 of 2001), contributions received is managed and unemployment insurance claims are paid.

Section 5 of the Unemployment Insurance Act (Act no. 63 of 2001) regulates the Application of the Fund.

The Fund must be used for the:

- payment of benefits in terms of this Act;
- reimbursement of excess contributions to employers;
- payment of remuneration and allowances to members of the Unemployment Insurance Board and its committees; and
- any other expenditure reasonably incurred and relating to the application of this Act.

Section 7 of the Unemployment Insurance Act (Act no. 63 of 2001) regulates the Investment of money of the Fund.

The money of the Fund, other than money required to meet the current expenditure of the Fund, may be deposited on behalf of the Fund by the Director-General with the Public Investment Corporation Limited (PIC) to be invested in terms of the Public Investment Corporations Act and the Funds Investment mandate.

Section 9 of the Unemployment Insurance Act regulates the Appointment of an annual review by an actuary. The Director-General must appoint an actuary within two months after the end of each financial year. The actuary must review the financial soundness of the Fund for that financial year, and provide an actuarial valuation report to the Director-General.

The actuarial valuation report must contain at least a statement reflecting the actuarial value of the assets and liabilities of the Fund, the financial soundness of the Fund and recommendations for the maintenance or improvement of the financial soundness of the Fund (Technical Reserves, Claims incurred but not enough reported (IBNER) and Claims incurred but not reported (IBNR)).

Section 10 of the Unemployment Insurance Act regulates the Surplus and deficit in the Fund. The Director-General must report and make recommendations to the Minister if the difference between income and expenditure of the Fund is greater than is required to meet payments for benefits or insufficient or not increasing at a sufficient rate to meet payments for benefits that may reasonably be anticipated.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

The Minister, after consultation with the Board, may utilise the surplus to give effect to the purposes of this Act, including improving the administrative efficiency and capacity of the Board and Fund and establishing a reserve fund.

The Minister may request the Minister of Finance to adjust the national budget in the manner contemplated in sections 16 and 30 of the Public Finance Management Act, 1999 (Act No. 1 of 1999), in order to cover any deficit in the Fund. Financial Management of the Fund is in accordance with the Public Finance Management Act (Act 1 of 1999) (PFMA) and relevant National Treasury Regulations.

Section 53 of the PFMA

The accounting authority must submit to the responsible executive authority, at least six months before the start of a financial year of the designated department, a budget of estimated revenue and expenditure for that financial year.

The Schedule 3 non-business public entities may not budget for a deficit or a surplus unless prior written approval of the National Treasury has been obtained.

Capital management objectives, policies and approach. The Fund's capital management objectives, policies and approach are based on the relevant legislation.

An annual business plan and budget recommended by the UI Board supported by the actuarial valuation report is submitted to the executive authority for approval.

The actuarial valuation report and recommendations for the maintenance or improvement of the financial soundness of the Fund is utilized annually to make provision for the required Technical Reserves and Provision for outstanding benefits which comprises of Claims incurred but not reported (IBNR) and Claims incurred but not enough reported (IBNER).

Written approval is annually obtained from the National Treasury to budget for a surplus.

The Fund has had no significant changes in its policies and processes to its capital structure during the past year from previous years. The capital structure of the Fund consists of net debt (benefits payable as detailed in note 22 offset by cash and cash equivalents as detailed in note 16) and equity of the Fund (comprising the technical reserves and accumulated surplus).

The ratio at the end of the reporting period was as follows:

Benefits payable	(17 448)	(6 253)
Cash and cash equivalents	(2 719 018)	(1 297 421)
Net benefits payable	(2 736 466)	(1 303 674)
Technical Reserve	40 928 889	38 303 768
Accumulated surplus (deficit)	103 648 275	93 943 545
Equity	144 577 164	132 247 313

Benefits payable is set out in note 27 and excludes trade and other payables and derivative financial instruments.

Asset Liability Management (ALM) framework

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
38. Risk management (continued)		
<p>The main risk that the Fund faces is unemployment insurance claims as per the Unemployment Insurance Act (Act no. 63 of 2001) and 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 Funds Investment Committee commission regular Asset and Liability Modelling studies to ensure an appropriate investment policy and mandate.</p> <p>The principal technique of the Funds ALM is to match assets to the liabilities arising from administering the Unemployment Insurance Act (Act no. 63 of 2001). The Funds ALM is integrated with the management of the financial risks associated with the Funds assets and liabilities directly associated with unemployment insurance and form 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 Unemployment Insurance Act (Act no. 63 of 2001).</p> <p>Operational risk</p> <p>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.</p> <p>The Unemployment Insurance Fund cannot eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risk, the Unemployment Insurance Fund is able to manage the risk. Controls include effective segregation of duties, access control, authorisation and reconciliation procedures, staff education and assessment processes, including the use of a risk management section and internal audit that review the effectiveness of the control environment and external insurance policies. Business risk such as change in environment and technology are monitored through the Unemployment Insurance Fund's strategic planning process.</p> <p>Insurance risk</p> <p>The Unemployment Insurance Fund provides unemployment-, illness-, maternity-, adoption- and dependant benefits as prescribed by the Unemployment Insurance Act (Act no. 63 of 2001) amended. 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 application for benefits.</p> <p>The Unemployment Insurance Fund's risk is limited through the Unemployment Insurance Act (Act no. 63 of 2001) amended, 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 Unemployment Insurance Fund. The Fund maintains a fully funded position to mitigate its insurance risk.</p> <p>Technical Reserve</p> <p>'Unearned contribution revenue' (UCR) the 'unexpired risk' - Statement of financial position</p> <p>Benefits payable</p> <p>Claims incurred but not reported (IBNR) and approved reported benefits payable</p>		
	40 928 889	38 303 768
	13 100 817	5 943 574
	54 029 706	44 247 342

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

Market risk

Market risk is the potential loss due to an 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 and investor sentiment.

Any change to these factors may result in volatility in interest rates, exchange rates, equity and commodity prices and credit spreads.

Exposure to market risk is formally managed through a diverse investment portfolio in accordance to the risk parameters and limits agreed with the PIC in a formal investment mandate. The following benchmarks are set out in the Fund's mandate and tracked by the PIC:

Asset class	Benchmark
Bonds	Besa All Bond Index (ALBI) and CIL
Cash & Money Markets	STEFI Indexes
Equities	FTSE/JSE(SWIX) excluding Property
Listed Property	J253
African Investment	MSCI(African) excluding Property
Foreign Equity	MSCI (All Country World Index) Excl SA

Risk parameters were set as follows

Total risk of the Fund

Maximum total risk (volatility or annualised standard deviation) of the Fund will be set at 2% above the average total risk of the benchmark measured over 24 months of monthly returns. The maximum tracking error will be 2% per annum measured over 24 months of monthly returns.

Fixed Income

Modified duration of fixed income portfolio will not be more than 6. A combination of conventional bonds and inflation linked bonds will be used to achieve the target duration.

Equities

The volatility of the equity portion of the Fund will not be more than 2% above the benchmark volatility. Tracking error maximum of 1.5% ensures that the Fund does not take excessive risk relative to the benchmark.

Concentration Risk

Concentration risk is the risk of losses arising due to poor diversification within funds. This relates to both credit and market risk as excessive concentration in a particular or correlated asset class, sector, issuer, term structure or financial instrument type can result in undesirable risk exposures. PIC manages this risk in accordance with the investment mandate, which dictates the level of concentration.

Establishment of investment limits per counterparty

Capital Market

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

RSA Government Bonds	Maximum 100%
Explicit RSA Government Guaranteed	Maximum 40%
AA rated or better	Maximum 20%
A rated or better	Maximum 10%

Money Market and Cash

Money market investments are spread across the Top Five South African Banks in order to diversify the Clients exposure. Limits are set utilizing the DI900 information supplied to the South African Reserve Bank.

Establishment of investment limits per investment instrument

Capital Markets

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.

Asset Class	2018	2017	Movement
Total Cash and Money Market	9.98 %	10.48 %	(0.50)%
Cash (Settlement Accounts)			
Standard Bank	7.66 %	6.65 %	1.01 %
Money Markets (Term Investments)			
ABSA	17.81 %	17.17 %	0.64 %
First Rand	15.00 %	16.80 %	(1.80)%
Nedbank	16.66 %	16.72 %	(0.06)%
Standard Bank	16.76 %	6.86 %	9.90 %
Investec	2.82 %	3.75 %	(0.93)%
Land Bank	9.38 %	11.29 %	(1.91)%
Eskom	3.99 %	4.76 %	(0.77)%
Development Bank of South Africa	9.90 %	5.99 %	3.91 %
Capital Markets	64.86 %	61.49 %	3.37 %
Government Bonds	32.29 %	30.63 %	1.66 %
Parastatals/SOE	19.68 %	18.82 %	0.86 %
Corporate Bonds	1.94 %	2.50 %	(0.56)%
Inflation Linked Bonds	46.09 %	48.06 %	(1.97)%
Equity Holding	24.93 %	24.93 %	- %
FTSE-JSE Indices: Top 40	100.00 %	100.00 %	- %

The Funds 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. The Fund's Money Markets decreased with 11.86% and decreased its holding on Capital Markets with 3.24%.

Price risk

Equity price risk

Equity Portfolio value R41,398,291 (2017: R36,966,875)

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

This risk is the potential financial loss as a result of movements in the level or volatility of equity prices, which affects the value of equity and equity derivative instruments. UIF has exposure to equity price risk as a result of its investments in equity instruments and equity derivatives.

Equity market risk is managed by using a benchmark that is less volatile than the overall JSE All Share Index.

The sensitivity to equity market is measured by the beta of the equity exposure. Such beta is managed relative to the industry classification benchmark. The equity exposure is closely tracking the index and has more or less the same beta as the benchmark. Derivatives are used to hedge the equity exposure at all times and therefore help minimise the downside risk.

Stress testing is a risk management technique to evaluate the potential effects on an institution's financial condition, of a set of specified changes in risk factors (particularly market risk), corresponding to exceptional but plausible events. Stress testing includes scenario testing and sensitivity testing.

To perform stress testing listed equity needs to be grouped using industry classification benchmark.

Portfolio sensitivity testing highlights the key risks or touch points of the portfolio to the market. In this case, sensitivity testing of the UIF portfolio were performed to the equity indices.

Sensitivity testing typically involves an incremental change in a risk factor (or a limited number of risk factors). Analysis over a shorter time horizon were conducted to simulate an instantaneous shock.

Using a historical beta, for any instantaneous shock on our risk factor determined the impact on the portfolio.

Below the portfolio sensitivities of a -1% move to the PICB*.

Price change (%)	Profit/Loss (Rand)	% Change profit/loss	Market value fund (Rands)
-1.00%	(317 765 063)	-1.00%	31 865 276 191
0.00%	-	0.00%	32 183 041 254
1.00%	317 765 063	1.00%	32 500 806 317

The table below shows the top 10 high beta or highly sensitive stocks - listed equity.

Security name	Betas	Sensitivity (Rands)
STADIO HOLDINGS	2.16	(129 645)
*STEINHOF INT. HLDGS	2.12	(868 463)
NASPERS-N	1.69	(124 438 266)
EOH	1.36	(375 963)
IMPERIAL	1.34	(2 712 708)
FIRSTRAND	1.23	(16 695 381)
SANLAM	1.22	(10 640 246)
FOSCHINI GROUP LTD	1.17	(4 645 009)
BARWORLD	1.15	(1 794 052)
BARCLAYS AFRICA GRP	1.15	(6 641 014)

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

*Equity Portfolio managed internally by PIC:

Date	Holding	Cost	Markert	Amount	Unrealised Profit /Loss
31 March 2017	17 721	840 017	1 003 002	1 003 002	(162 984)
31 December 2017	12 530	645 780	58 881	(994 121)	585 414
31 March 2018	12 411	643 249	40 087	(18 792)	603 160
	42 662	2 129 046	1 101 970	(9 911)	1 025 590

Equity Portfolio managed internally by PIC: UIF Funds are managed on a passive basis, holding Steinhoff shares in the same weight as the SWIX benchmark (as per UIF mandate). Overall Steinhoff exposure as at 31 March 2018 to the internally managed listed equity fund is limited to 0.3%.

Upon advice from the Fund's asset manager and investment advisor the Fund will wait for the investigations into Steinhoff to be finalized and the financial statements to be restated and released before selling off it's exposure on the internally managed equity exposure. The rationale being that post the finalization of the investigations, some of the unrealized losses may be reversed, thus resulting in lower actual losses upon exit.

Externally managed Portfolio exposure:

Mazi and Vele sold off all their share in Steinhoff on the 6th of December 2017. Mergence and Sentio sold off their share in Steinhoff at the end of December 2017. An estimated total realized loss of R165 million was realized by the external managers.

External Manager	Holding at 05 December 2017	Market Value as at 05 December 2017	Holding at 12 December 2017	Market Value as at 05 December 2017	Realised (Profit/Loss)
Mazi	1 236	56 422	-	-	56 422
Megence	1 090	49 762	711	8 357	58 120
Vele	841	38 412	-	-	38 412
Sentio	872	-	872	10 250	10 250
Robeco	35	1 979	-	-	1 979
	4 074	146 575	1 583	18 607	165 183

Security name	Betas	Risk
PBG GROUP LIMITED	(0.46)	115
AFRO-C	(0.28)	45 667
SEA HARVEST GROUP	(0.23)	11 976
RHBOPHELO	(0.20)	29 582
HULISANI	(0.13)	27 025
ADCOCK INGRAM OPT	(0.14)	354
TRELLIDOR HOLDINGS	(0.01)	4 962
ELLIES	(0.07)	1 944
ITLTILE	(0.06)	22 625
RHODES FOOD GROUP	0.05	24 970

The equity markets are very volatile, the sensitivity was done assuming the market moves up or down by 5% at a time.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

					2018	2017
					R '000	*Restated R '000

38. Risk management (continued)

Equities

Effect on value of equities

R'billion	(15)%	(10)%	(5)%	- %	5 %	10 %	15 %
2017	25 183	26 630	28 077	29 523	30 970	32 417	33 863
2018	27 419	28 996	30 606	32 183	33 760	35 369	36 946

Effect on surplus/deficit

%	(15)%	(10)%	(5)%	- %	5 %	10 %	15 %
2017	(14.70)%	(9.55)%	(4.60)%	- %	5.30 %	10.24 %	15.19 %
2018	(14.80)%	(9.90)%	(4.90)%	- %	(4.90)%	(9.90)%	(14.80)%

The equity markets are very volatile, the sensitivity was done assuming the market moves up or down by 5% at a time.

Equities (including listed property) excluding equity options

Effect on value of listed property

R'billion	(15)%	(10)%	(5)%	- %	5 %	10 %	15 %
2017	29 957	31 719	33 482	35 244	34 006	38 768	40 530
2018	27 564	30 879	34 288	37 543	40 858	44 207	47 522

Effect on surplus/deficit

%	(15)%	(10)%	(5)%	- %	5 %	10 %	15 %
2017	(15.00)%	(10.00)%	(5.00)%	- %	5.00 %	10.00 %	15.00 %
2018	(26.58)%	(17.75)%	(8.83)%	- %	8.83 %	17.75 %	26.58 %

The equity markets are very volatile, the sensitivity was done assuming the market moves up or down by 5% at a time.

Listed property

Effect on value of listed property

R'billion	(15)%	(10)%	(5)%	- %	5 %	10 %	15 %
2017	4 453	4 715	4 977	5 239	5 448	5 763	6 024

Effect on surplus/deficit

%	(15)%	(10)%	(5)%	- %	5 %	10 %	15 %
2017	(14.00)%	(9.33)%	(4.67)%	- %	(4.67)%	9.33 %	14.00 %
2018	26.58 %	17.75 %	8.83 %	- %	8.83 %	17.75 %	26.50 %

Below is the portfolio sensitivities of a -1% move to the SA property Index (J253)*.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000
38. Risk management (continued)		
Price change (%)		
	Profit/loss (Rands)	% Change profit/loss
-1.00%	(56 194 267)	(1.00)%
0.00%	-	-
1.00%	54 194 267	1.00 %
		Market value fund (Rands)
		563 232 486
		619 426 753
		675 621 021

The table below shows the top 10 high beta or highly sensitive stocks.

Stocks	Betas	Risk (Rands)
HYPROP	0.93	(3 658 434)
REDEFINE	0.76	(6 725 372)
GROWPNT	0.70	(8 181 257)
RESILIENT REIT LTD	1.75	(4 083 489)
GREENBAY PROP	1.35	(879 651)
NEPI ROCKCASTLE	0.70	(5 763 868)
FORTRESS INCOME FUND	2.32	(3 193 561)
FORTRESS INCOME FUND	0.74	(1 955 696)
SA-CORP	0.63	(1 221 590)
ATTACQ	0.63	(1 079 319)

The table below shows the bottom 10 betas or defensive stocks.

Stocks	Betas	Risk (Rands)
ACCELERATE PROP FUND	19.00	(103 223)
STENPROP	0.12	(17 705)
ECHO POLSKA PROP	0.29	(273 858)
EMIRA	0.42	(446 440)
DELTA PROPERTY FUND	0.26	(103 123)
INTU PROPERTIES PLC	0.28	(211 786)
EQUITES PROP FUND	0.28	(269 431)
CAPITAL COUNTIES	0.29	(273 858)
TRADEH	(0.16)	9 738
SERUIS REAL ESTATE	0.43	(104 235)

Interest rate risk

Bond Portfolio value R89,947,230 (2017: R76,628,755,360)

Bills, Promissory notes and Negotiated certificates of deposit Portfolio value R3,402,136(2017: R2,682,054,810)

Fixed deposit Portfolio value R10,592,716(2017: R10,321,950,803)

Social Responsible Investments value R10,243,501(2017: R6,175,115,943)

This risk is the potential financial loss as a result of adverse movement in interest rates that affects the value of bonds and money market instruments. The Fund has exposure to interest rate risk through investments in money markets and bonds.

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 amount in inflation linked bonds.

The sensitivity to interest rate movements is managed by managing the duration of fixed interest exposure. Such duration is managed relative to an appropriate benchmark. To manage the duration PIC utilises a combination of instruments to get closer to the benchmark duration.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

The fixed income asset class is not as volatile as the equity markets; an assumption of this sensitivity analysis is that the interest rates move by 50 basis points at a time.

Sensitivity of the UIF Asset Class Portfolios to different market movements

The investment portfolio sensitivity is evaluated through stress testing the portfolio using the following methodology:

The portfolio is separated into its instruments type's viz. money market, bonds, equity, 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 the specified quantum and then revaluing the instruments (present valued 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 yields to maturity is moved by the specified quantum and the bond re-valued (bond pricing formula). The aggregate value of all the instruments represents 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 is then revalued (price multiplied by holdings) at the new price. The aggregate value of all the equity instruments represents 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 represents 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.

Bonds

Effect on value of bonds

R'billion	(150)	(100)	(50)	-	50	100	150
2017	88 889	84 291	80 460	76 628	73 563	69 732	67 433
2018	105 189	99 885	93 697	88 394	84 858	80 438	76 902

Effect on surplus/deficit

%	(150)	(100)	(50)	-	50	100	150
2017	16.00 %	10.00 %	5.00 %	- %	(4.00)%	(9.00)%	(12.00)%
2018	19.00 %	13.00 %	6.00 %	- %	(4.00)%	(9.00)%	(13.00)%

Money Markets (Excluding Fixed Deposits)

Effect on value of money markets (excluding fixed deposits)

R'billion	(150)	(100)	(50)	-	50	100	150
2017	2 699	2 693	2 687	2 682	2 676	2 670	2 664
2018	4 989	4 977	4 966	4 955	4 943	4 932	4 921

Effect on surplus/deficit

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

					2018 R '000	2017 *Restated R '000
38. Risk management (continued)						
%	(150)	(100)	(50)	-	50	100
2017	0.66 %	0.44 %	0.22 %	- %	(0.22)%	(0.43)%
2018	0.69 %	0.46 %	0.23 %	- %	(0.23)%	(0.46)%

Money Markets (Including Fixed Deposits)

Effect on value of money markets (including fixed deposits)

R'billion	(150)	(100)	(50)	-	50	100	150
2017	13 076	13 052	13 027	13 004	12 980	12 955	12 932
2018	15 142	15 112	15 080	150 511	15 020	14 990	14 960

Effect on surplus/deficit

%	(150)	(100)	(50)	-	50	100	150
2017	(0.56)%	(0.38)%	(0.10)%	- %	(0.18)%	(0.37)%	(0.55)%
2018	(0.61)%	(0.41)%	(0.20)%	- %	(0.20)%	(0.40)%	(0.60)%

Liquidity risk

Liquidity risk arises when there are insufficient liquid assets (cash and readily convertible securities) available to meet financial obligations.

The UIF'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).

The Fund's strategic asset allocation stipulates that minimum 10% to maximum 30% of the total holdings must comprise of liquid assets.

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.

Asset allocation ranges and attribution analysis on overall performance passive benchmark as per investment mandate.

The below investment mandate was implemented from 1st February 2016 applying a phased in 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 realized losses.

The new investment mandate is structured as follows:

Category	Asset allocation Ranges (%)	Strategic asset allocation (%)
Cash and Money Market	1-10	5.00 %
Capital Market: Nominal Bonds	20-40	27.50 %
Capital Market: CPI Linked Bonds	20-40	30.00 %
Domestic Equity	10-30	24.00 %
Listed Property	0-5	2.50 %
African Investments	0-5	2.00 %
Foreign Investment	0-10	4.00 %

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
38. Risk management (continued)		
Unlisted Property	1-7	5.00 %

Social Responsible Investment

Social Responsible Investments was not modelled as a separate asset class since it is a theme across other asset classes and could be listed or un-listed instruments. The decision to invest in Social Responsible Investments is a tactical decision made on a case-by-case basis. The maximum strategic asset allocation for Social Responsible Investments is capped at 20% with a permitted range of 10%-30%.

Social Responsible Investment will be allocated as follows:

Category	Asset allocation Ranges (%)	Strategic asset allocation (%)
Cash and Money Market	5% - 20%	10.50 %
Capital Market: Nominal Bonds	4-10	7.50 %
Capital Market: CPI Linked Bonds	2-10	5.00 %
Equity	4-10	7.50 %

The portfolio asset allocation as at 31 March 2018 was as follow:

Category	Value (R'000)	Actual asset allocation (%)	Difference (%)
Capital Market	88 394 193	56.00 %	- %
Money Market	15 050 749	10.00 %	- %
Trading Cash	1 096 821	1.00 %	- %
Unlisted Property	132 867	- %	- %
Listed Property	5 350 523	3.00 %	- %
Domestic Equity	32 132 568	21.00 %	- %
Equity Derivative	105 871	- %	- %
Global Equity	4 781 136	3.00 %	-
Total	147 044 728	3.00 %	- %
Social Responsible Investments: Unlisted Debt	7 132 711	5.00 %	- %
Social Responsible Investments: Unlisted Equity	2 568 049	1.00 %	-
Total	156 745 488	Total value of the Fund's portfolio including SRI's	

Maturity profile on financial assets

2018	Receivable on demand (R'000)	0 - 12 months (R'000)	1 - 3 years (R'000)	3 - 7 years (R'000)	> 7 years (R'000)	Total (R'000)
Money Market	-	13 994 852	-	-	-	13 994 852
Capital Market	-	1 856 059	2 926 872	20 135 241	64 692 344	89 610 516
Cash and cash equivalents	2 719 018	-	-	-	-	2 719 018
Listed equity	-	41 398 291	-	-	-	41 398 291
Investment income receivable	244 473	-	-	-	-	244 473
SRI	-	-	-	-	8 697 365	8 697 365
	2 963 491	57 249 202	2 926 872	20 135 241	73 389 709	156 664 515

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000
38. Risk management (continued)		
2017		
	Receivable on demand (R'000)	0 - 12 months (R'000)
Money Market	-	13 004 006
Capital Market	-	1 734 455
Cash and cash equivalents	1 297 425	-
Listed equity	-	39 902 694
	1 297 425	54 641 155
	1 803 209	16 068 126
	57 022 965	130 832 880

The following table analyses the Fund's financial liabilities which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 6 to 12 months equal their carrying balances as the impact of discounting is not significant.

Prior year correction

Previously stated

Maturity profile of the financial assets	Receivable demand	0-12 Months	1-3 Years	3-7 Years	7>Years
Money market	-	12 833 694	-	-	-

Currently stated

Maturity profile of the financial assets	Receivable demand	0-12 Months	1-3 Months	3-7 Years	7> Years
Money market	-	12 677 272	-	-	-
Commercial papers	-	156 422	-	-	-
	-	12 833 694	-	-	-

Maturity analysis on financial liabilities

2018	Payable on demand (R'000)	Within 1 month (R'000)	Within 3 months (R'000)	Within 12 months (R'000)	Total (R'000)
Trade and other payables	-	209 726	-	-	209 726
Salary accrual	-	6	15	15	36
Deposits received	5 703	-	-	-	5 703
Bank overdraft	24	-	-	-	24
	5 727	209 732	15	15	215 489

2017	Payable on demand (R'000)	Within 1 month (R'000)	Within 3 months (R'000)	Within 12 months (R'000)	Total (R'000)
Trade and other payables	-	267 570	-	-	267 570
Salary accrual	-	4 782	11 977	15 304	32 063
Deposits received	6 309	-	-	-	6 309

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018				2017
	R '000				*Restated R '000
38. Risk management (continued)					
Bank overdraft	13	-	-	-	13
	6 322	272 352	11 977	15 304	305 955

Template error : disclosure note not casting correctly in 2015/2016 financial year

Previously Stated

Maturity analysis on financial liabilities	Payable on demand	Within one month	Within 3 month	Within 12 month	Total
Trade and other receivables	-	247 303	-	-	247 303
Salary accrual	-	5 030	11 695	15 161	31 886
Deposit received	6 207	-	-	-	6 207
Bank overdraft	11	-	-	-	11
	6 218	257 363	23 390	30 322	285 407

Currently Stated

Maturity analysis on financial liabilities	Payable on demand	Within one month	Within 3 months	Within 12 months	Total
Trade and other receivables	-	247 303	-	-	247 303
Salary accrual	-	5 030	11 695	15 161	31 886
Deposit received	6 207	-	-	-	6 207
Bank overdraft	11	-	-	-	11
	6 218	252 333	11 695	15 161	285 407

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 PIC's credit decisions include credit rating agencies assessments of the general operating environment, the competitive market position of a counterparty or issuer, reputation, deal tenor as longer dated deals increases uncertainty of repayment, the level and 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. A credit risk policy has been approved by the Fund, which is a standard inclusion in the investment mandates. The current investment policy states that listed investments will be done with issuers that have a credit rating of at least "A" from one of the recognised domestic and /or International credit rating agencies.

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.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

UIF's mandate only allows investments in listed instruments that are rated and listed on an approved exchange. The use of PIC developed models, the DI900 as a guide on limit setting for Banks, as well as the rating of external credit rating agencies are used to manage credit risk further. The mandate permits investment in the following asset classes, cash, money markets, capital markets and domestic equities.

The following graph shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives, with external credit ratings as at 31 March 2016:

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 PIC 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 PIC output are benchmarked against external sources to ensure accuracy and reliability.

Sovereign risk

The Fund is invested in domestic assets only and has no direct sovereign exposure.

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.

Currency risk

Currency risk is the potential financial loss or adverse cash flow resulting from unanticipated movement in exchange rates. No foreign assets or denomination in foreign currency were held during the financial year under review, therefore there was no exposure to currency risk.

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 financial instruments are exposed to these risks.

In accordance with chapter 6, paragraph 48 of the Public Finance Management Act (Act no. 1 of 1999), the Fund is classified as a Schedule 3 "National Public Entity".

In terms of section 55(1) of the Public Finance Management Act, the Unemployment Insurance Fund is required to comply with South African Statements of Generally Accepted Accounting Practice, unless the Accounting Standards Board approves the application of Generally Recognised Accounting Practice.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

The Unemployment Insurance Fund received contribution revenue in accordance with the Unemployment Insurance Contributions Act, 2002 and pays Unemployment Insurance benefits including the recovery of benefits paid in error in accordance with the Unemployment Insurance Act (Act no. 63 of 2001).

The Unemployment Insurance 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 Unemployment Insurance Act (Act no. 63 of 2001) the Fund issues regulations in an effort to mitigate the risk of interpretation and complies with regulations issued regarding other applicable legislation.

The Funds Internal Audit and Risk Management sections undertake frequent reviews to ensure compliance where the Fund has interests.

Litigation Risk

Legal proceeding 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 settle or defend litigation against the Fund depending on the circumstances of the case and external lawyers are involved when required.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

39. Related parties

The UIF has identified the following as related party transactions, which are considered to be significant transactions.

The debt balances were as follows:

	2018	2017
Edenvision Medical Holdings (Pty) Ltd	92 158	-
Adowa Infrastructure Managers (Pty) Ltd	30 930	7 344
Afric Oil (Pty) Ltd: Preference shares	99 567	-
Afric Oil (Pty) Ltd: Senior loan	211 791	213 450
Busamed Modderfontein Private Hospital (Pty) Ltd	441 651	393 853
Fountain Civil Engineering (Pty) Ltd	104 135	80 801
LA Crushers (Pty) Ltd: Mezz Loan	16 834	49 856
LA Crushers (Pty) Ltd: Term Loan	62 099	-
Royal Bafokeng Resources Properties (ty) Ltd	982 385	502 348
Royal Energy (Pty) Ltd	211 944	133 412
Solar Capital De Aar 3 (Pty) Ltd	-	243 509
Edu-Loan (Pty) Ltd	57 163	57 100
Spilled Water Renewable Energy (Pty) Ltd	79 735	77 128
Industrial Development Corporation of South Africa Ltd	1 022 853	-
Mining Oil & Gas Services (Pty) Ltd	455 297	50 994
Kefolile Consumer Brands Holdings (Pty) Ltd	204 737	206 732
Kefolile Health Investments Holdings (Pty) Ltd	1 035 180	954 163
Mobile Specialised Technologies Group (Pty) Ltd	22 636	-
World Marine Energy (Pty) Ltd	105 364	-
	5 236 459	2 970 690

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

39. Related parties (continued)

Related party transactions

The UIF operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government will be considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of Corporate Executives up to the Board of Directors are regarded as key management.

Close family members of key management are considered to be those family members who may be expected to influence, or be influenced by key management individuals or other parties related to the entity.

The following transactions pertaining to the major related parties to the Unemployment Insurance Fund are disclosed:

Unemployment alleviation schemes

Section 48(1)(a)(iv) of the Unemployment Insurance Act, 2001 as amended stipulates that the Unemployment Insurance Board must advise the Minister on the creation of schemes to alleviate the effects of unemployment.

The Minister of Labour approved in principle projects to provide funding to "Poverty Alleviation Schemes" including up-skilling/training to the unemployed and Social Plan funding. The up-skilling/training and Social Plan funding are to be executed in close relationship with the National Skills Fund (NSF), the various Sector Education Training Authorities (SETA's) and other Government Departments engaged in poverty/unemployment alleviation initiatives.

Productivity South Africa

The Social Plan is implemented through Productivity South Africa. Productivity South Africa implements Turnaround Solutions to companies that want to improve their productivity. This services has also been extended to companies that are in distress through UIF funding.

There were no year-end balance arising from the above transactions included in "Trade and other payables" for the current and previous financial years.

The contractual commitment as at 31 March 2018 amounted to R63,939,744.30 (2016: R201,322,000).

Technical, Vocational, Education & Training(TVET) and various Sector Education Training Authorities (SETA's)

The Training of the Unemployed is executed in close relationship with the TVET's, the various Sector Education Training Authorities (SETA's) and other Government Departments engaged in poverty/unemployment alleviation initiatives. Skilling of the unemployed in general and the UIF beneficiaries is needed in order to improve their chances to be reintegrated back into the employment environment.

Year-end balance arising from the above transactions included in "Trade and other payables" - R33,091,629.60.(2017: R49,936,984) comprising of MERSETA R11,395,983.33 (2017: R13,932,930), TETA R13,548,180.00 (2017: R 12,936,916) and TVET College R5,233,261.20 (2017: R8,107,070).

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

39. Related parties (continued)

The contractual commitments as at 31 March 2018 amounted to R351,474,915.67 (2017 :R 111,697,694.67) comprising of, MERSETA R99,182,061.60 (2017: R36,697,695),TETA R111,500,392.65 (2017: R123,257,742.28) and AgriSeta (R15,424,827.08). Contractual commitments with TVET Colleges amounted to R88,878,034.34 (2017: R35,714,520). Contractual commitments with Provincial Government Agencies amounted to R 36,489,600.

Training Lay-off Scheme

Training Layoff Scheme(TLS) is temporary suspension of work for a worker or a group of workers that will be sent for training. The scheme is aimed at companies that are in distress due to economic conditions and at workers who may be at risk of retrenchment that might become unemployment claimants.

The Training Layoff Scheme(TLS) depends on an agreement between an employer and workers that there will be continued employment and that the employer will pay all contributions to social security benefits during the training period. The worker(s) agree to forego their normal wage, to attend the training programme and to accept a training allowance during the period of training. Employers gain a recovery period by reducing payroll costs for a period of six months and improve the skills of their workers at limited cost to the company.

The various Sector Education Training Authorities (SETA's) facilitate the training interventions.

Applications to participate in the project include the design elements as agreed by the social partners announced by the President on 5 August 2009 and go through a strict process that includes the Commission for Conciliation, Mediation and Arbitration (CCMA) and a Project Evaluation Committee (PEC) convened by the UIF.

Department of Labour

The Director-General of the Department of Labour is the Accounting Authority of the Unemployment Insurance Fund that forms part of the Department's Programme 5: Social Insurance.

The Unemployment Insurance Fund shares various resources with the Department of Labour. Cost incurred by the Department of Labour on behalf of the Unemployment Insurance Fund in executing its mandate in accordance with the Unemployment Insurance Act (Act no. 63 of 2001) is recovered from the Fund in accordance with agreements between the Department and the Fund.

The following costs were incurred by Department of Labour on behalf of the Fund:

Employee cost	1 179 518	1 040 631
Administrative expenses	238 534	307 534
Other operating expenses	3 674	3 353
	1 421 726	1 351 518

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

39. Related parties (continued)

Year-end balance arising from the above transactions included in "Trade and other payables" - R 56,494,659.55 (2017: R112,129,089.57).

Administration expenses

The expenditure incurred during 2016/17 financial year by the Department of Labour on behalf of UIF was understated by R 92,731,248.00.

Previously stated : R 214,802,725.37

Currently stated : R 307,533,973.37

Trade payables

During 2016/2017 audit the balance relating to Department of Labour disclosed in trade payables was overstated with R 92,731,248 for SAP licences and R 19,397,841.47 DoL expenditure..

Previously stated R 230,442,553

Currently stated R 112,129,089.57

The following transactions were carried out with the Department of Labour

Rental income

Rental of offices and diginet lines	922	1 525
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Year-end balances arising from the above transactions are included in "Trade and other receivables, Sundry Debtors" - R206,721.10(2016: R1,456,546.43)

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

39. Related parties (continued)

South African Revenue Service

Unemployment Insurance Contributions is regulated by the Unemployment Insurance Contributions Act, sections 8 and 9, which are administered by the SARS Commissioner.

The relationship between the South African Revenue Service and the Unemployment Insurance Fund is strictly regulated by the Unemployment Insurance Contributions Act, 2002. Collection costs are charged to the Unemployment Insurance Fund on a monthly basis equal to one and a half percent of the total amount of the contributions collected.

The following transactions were carried out with the South African Revenue Service:

Contributions collected

- Contributions collected - received	17 854 626	17 441 141
- Penalties	245 121	236 055
- Interest	171 384	179 472
	18 271 131	17 856 668

Collection costs charged

- Collection fees	274 067	267 401
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Year-end balance arising from the above transactions is included in "Statutory Receivables" - R1,657,479,968.71 (2017 R1,718,671,946.00) and other payables" - R24,862,199.53 (2017 R25,780,060.11)

Public Investment Corporation Limited (PIC)

In terms of the Unemployment Insurance Act (Act no. 63 of 2001), as amended, the Unemployment Insurance Fund appointed the Public Investment Corporation Limited as its Investment Manager to invest, manage and administer investments for the Unemployment Insurance Fund on the terms and conditions of an agreed mandate.

The following transactions were carried out with PIC:

Transfers

- Net contributions transferred to PIC for investments	7 700 000	5 500 000
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Paid

- Management fees paid to PIC	159 236	164 048
- Equity transaction cost	20 290	41 002
	179 526	205 050

Year end balances arising from the above transactions:

- R1,120,112,434.63(2017: R809,832,545.21) PIC UIF bank account (funds not invested in instruments), included in "Cash and Cash Equivalents". PIC manages this account on behalf of the Fund.
- R17,441,591.04 (2017 R17,029,608) Management payable fees payable to PIC, included in "Trade and Other Payables".
- R7,598,710.91 (2017: R8,533,378) Investment expenditure payable to PIC, included in "Trade and Other Payables".

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

39. Related parties (continued)

- R154,359,476,006.28(2017: R134,333,871,008.34) Financial assets managed by PIC on behalf of the Fund.

40. Budget information

The Fund aligns its budget priorities with that of National Government and the Department of Labour by ensuring the budget delivers on priorities such as efficient service delivery, poverty alleviation and building sound institutional arrangements.

The Unemployment Insurance Fund presents its approved budget on a zero basis and the financial statements on the accrual basis. The budget is approved on a zero basis by classification of expenditure by nature and covers the fiscal period 1 April 2017 to 31 March 2018.

The financial strategy of the Fund takes into account the requirements of the PFMA and National Treasury Regulations which requires 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 Unemployment Insurance 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 Unemployment Insurance Fund however carries the liability of future claims based on the contribution received.

Written approval is annually obtained from the National Treasury to retain surplus funds according to the PFMA Section 53 (2).

Changes from the approved Original Budget to the approved Revised Budget

Operating items such as contributions, investment income and benefit expenditure were reviewed based on latest trends and activity levels and updated actuarial valuation reports.

Contribution revenue were revised up based on a revenue indicator measure model which is linked to a number of economic variables in the setting of assumptions for revenue on an annual basis. Contribution revenue for budget purposes is based on the relationship between actual past revenue, CPI and GDP.

The increase in investment income was based on the expected growth of the Fund's investment portfolio with the revised estimated surplus as per the actuarial valuation report of 2017.

The Funds Actuarial valuation of 31 March 2018 enquired higher reserving based on the claims experience together at that stage with expectations of subdued recovery of the economic conditions were the main reasons behind the increase in technical reserving.

In addition to reserving, the Fund utilises the actuarial report to budget for benefit payments.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

40. Budget information (continued)

Comparison of budget and actual amounts

40.1 Reconciliation of budget surplus with the surplus in the Statement of Financial Performance

	2018 Actual (R'000)	2018 Budget (R'000)	2018 Variance (R'000)
Net surplus according to the Statement of Financial Performance			9 715 473
Revenue	18 740 065	20 050 163	1 310 097
Benefit payments	(9 227 370)	(10 282 977)	(1 055 607)
Change in benefit payments	(8 326 471)	(2 389 071)	5 937 399
Unemployment alleviation schemes	(48 673)	(889 466)	(840 793)
Impairment	(450)	-	(450)
Other income	22 169	1 967	(20 202)
Auditors remuneration	(8 143)	(12 900)	(4 757)
Administrative cost	(468 065)	(708 001)	(239 937)
Depreciation and impairment	(48 101)	(183 372)	(135 271)
Employee cost	(1 168 993)	(1 502 214)	(333 221)
Other operating expenditure	(430 646)	(876 600)	(445 954)
Investment revenue	9 446 020	10 451 287	1 005 267
Fair value adjustments	(3 859 251)	-	(3 859 251)
Finance cost	-	(3)	(3)
Unearned premium reserve	(2 625 121)	(464 623)	2 160 498
Net surplus per approved budget			13 194 189

Budget surplus

Budget surplus as approved by the Minister	12 971 679
Plus: Capital budget and virements	222 510
	13 194 189

The main variances between actual expenditure and income and the revised budget can be attributed to the following :

	2018 Variance R'000
The main variances between actual expenditure and income and the revised budget can be attributed to the following :	

40.2 Revenue

6.53% less revenue collected than the budgeted amount. The budget for revenue is based on a revenue indicator developed for the Fund, which utilises a combination of projected CPI and GDP to determine the likely rate of growth in the revenue of the Fund. Based on this revenue indicator, revenue projected was slightly more than the actual amount collected during the 2017/18 financial year.

1 310 097

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
40. Budget information (continued)		
		2018 Variance R'000
40.3 Benefit payments		
The budget was compiled based on the expected economic conditions and past events in South Africa.		1 055 607
The unemployment rate increased at a lower rate than expected during the 2017/18 year. The average unemployment rate for 2017/18 was 27.45, 0.72% higher than the average unemployment rate of 26.73% in 2016/17.		
40.4 Unemployment alleviation schemes		
The Unemployment Alleviation Schemes budgeted amount took into consideration projects in the implementation phase and projects that were on hold but due for implementation in the 2017/2018 financial year. The above estimation included the budget for anticipated projects to be acquired through Expression of Interest. An total amount of R889 million was budgeted for the year under review. R689 million was budgeted towards the Training of the Unemployed because of the anticipated increase in the funding of new training projects. However the delays on the finalisation of the evaluation process and inadequate supporting documents submitted by service providers for payment has led to 94% under-expenditure of the budgeted amount. R200 million was budgeted for expenditure on the Training Layoff Scheme and the Social Fund (Turnaround Solution). The Fund reviewed the Labour Activation Programme (LAP) validation processes and implemented additional controls during financial year under review. The changes effected stricter measures on the approval of applications relating to the Training Lay-off Schemes (TLS) and Turnaround Solutions (TAS) funding. This led to only 10% being spent under this scheme based on validated applications that adhere to the control measures put in place.		840 793
40.5 Other income		
An increase in rent is due increase digital lines resulting from the increase in staff compliment and office space. Recovery of overpayments written off was not budgeted for because it formed part of normal overpayments recoveries. A split which separates normal recoveries from those received from debts written off was done. The Cash surplus account contains untraceable deposits which are under investigation. Insurance Claim Settlements account was not budget for however the amount received was due to insurance settlements towards lost items claimed for. This account contains a once of payment received (settlement) for a property that was sold in the Eastern Cape – Alice.		20 202

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
40. Budget information (continued)		
40.6 Auditors fees		
36.88% less than budget. As at the end of the financial year, the Fund had paid invoices relating to the finalisation of the 2016/17 audit. During the conclusion of the financial year 2017/18 the audit was still in process and not concluded due to timelines set by the PFMA to submit annual financial statements.		4 757
40.7 Administrative cost		2018 Variance R'000
Savings incurred by the Fund on various budget items as a result of cost containment measures that were implemented in order to comply with the cost containment measures as imposed by the National Treasury.		
37.96% saved against the following main budget items:		239 936
Stationery and Printing: Cost containment measures implemented to comply with the circular issued by National Treasury.		15 821
Venues and Facilities: The Fund continues to consider the cost-effective options when hosting events and meetings to comply with cost containment measures.		4 380
Entertainment/Catering: The Fund continues to consider the cost-effective options when hosting events and meetings to comply with cost containment measures.		4 332
Advertising: Cost containment measures to comply with the circular issued by National Treasury.		20 865
External IT services: Specialised external system maintenance and support, SITA services and software licences expenditure were less than the amount budgeted for. The SAP maintenance and support and queue management are some ICT projects not finalised during the current year.		82 329
SARS commission: budget is based on the higher contributions revenue anticipated as projected by the Fund's actuaries.		45 519
40.8 Depreciation and impairment		
Depreciation is 73.77% less than the budget amount due to the capital ICT projects which were not finalised during the financial year under review, with specific reference to the infrastructure upgrade in labour centres, end user devices and SAP implementation release 02 and the maintenance of the data centre. The Fund re-assesses the useful life of assets on an annual basis in line with GRAP 17. In addition there were impairment realised on the Sunnyside and 94 WF Nkomo building during the current financial year.		135 271
40.9 Employee cost		
22.18% saving against the following main budget items: The Unemployment Insurance Fund is reflecting a 22.11% underspending on employee cost in comparison to the budget. The Fund observes the compensation budget limits as directed by National Treasury to curb the wage bill. The Fund will continue to focus on service delivery focal points (labour centres).		333 221

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
40. Budget information (continued)		
40.10 Operating expenses		2018 Variance R'000
Saving against the following main budgeted items:		
46.8% saving on Operating expenses against the following main budgeted items:		445 954
Management and investment fees. As from 01 February 2016 the Fund increased its Strategic Asset Allocation (SAA) towards Social Responsible Investments (SRI) from 10% of the Total Value of the Portfolio to 20% of the Total Value of the Portfolio. When the budget was calculated implementation cost of the new mandate was estimated higher due to the fact that Initial Commitment Capital fees of new instruments are substantially higher than subsequent management fees. Trading activity in the Portfolio also decreased due to unfavourable market conditions. The type of unlisted instrument that will be procured during the financial year cannot be predicted beforehand since it depends what is available in the market or what project is developed. There will therefore always be a difference between the budget amount and the amount actual amount paid towards management fees that can't be estimated.		267 497
Consumables: Cost containment measures to comply with the circular issued by National Treasury.		3 398
Communications: cell phones, telephone ,postage. Cost containment measures to comply with the circular issued by National Treasury.		34 142
Travel and Subsistence: The Fund is complying with National Treasury Instructions issued in 2017/18 financial circular to reduce spending on travelling.		25 554
40.11 Investment revenue		
The South African economy remained in turmoil during the 2017/18 financial year which resulted in the Fund implementing a conservative budget approach. Although the Portfolio Return underperformed the SWIX Benchmark by -0.38% for 12 months and the Fund implemented hedge positions to mitigate the Equity Portfolio's current concentration risk exposure to Naspers the investment revenue managed to outperform the budget.		1 005 267
40.12 Fair value adjustments		
The Fund does not budget for Fair value adjustments as it reflects market movement on investment instruments.		3 859 251
40.13 Unearned premium reserve		
Unearned Premium Reserve" is budgeted for but disclosed in the "Statement of Changes in Net Assets" and not in the "Statement of Financial Performance		2 160 498

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
41. Changes from the approved to final budget		
Main changes from approved to final budget		
Revenue	R1 348 437	
The Revenue budget was adjusted in line with actuarial estimates for the 2017/18 year based on expected economic conditions		
Benefit payments	(R1 479 888)	
The budget for benefit payments was adjusted in line with actuarial estimates for the 2017/18 year based on expected economic conditions.		
Change in Benefit Payments	(R2 128 796)	
The change in benefit payments budget was adjusted in line with actuarial estimates for the 2017/18 year based on expected economic conditions, and in accordance with the required benefit payment reserves.		
Unemployment alleviation schemes	(R129 466)	
In an effort to enhance employability of the Fund's beneficiaries through learning and/or work opportunities, targets were revised to a considerably higher number of beneficiaries to be trained. The budget for unemployment alleviation schemes was therefore revised upwards		
Investment Properties: Property Management fees	(R49 078)	
These fees are levied by the investment manager on a quarterly basis and based on the final valuation of properties. The averaged value for the Fund's properties increased from 2017 to 2018 and therefore the management fee increased which ultimately resulted in the Budget increase		
Investment Portfolio Management	(R13 000)	
Management fees are levied based on the daily market value of the portfolio. As the portfolio grows, so will the management fees. The budget is estimated based on Actuarial forecasts. These forecasts are conservative and the portfolio growth has already surpassed the forecasted figures. In addition, the management fees for the external managers needs to be added. These fees are based on their performance which cannot be estimated for budgeting purposes. These factors led to the budget increase.		
Management fees	(R209 417)	
The Fund increased its exposure to Social Responsibility Investments (SRI's) through the revised investment mandate. The exposure increased Another change is that investments are not spread out over a 5 year period but rather investments are made in full upfront. Management fees on SRI investments are 150 bps per annum on the initial capital committed during the initial commitment period after which the fees are 100 bps per annum on the investment value.		
ICT projects	(R39 165)	

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

41. Changes from the approved to final budget (continued)

The Fund revised its plans and budget upwards to make its services more accessible by offering free Wi-Fi at its 126 labour centres and 400 visitor sites. An estimated 96 provincial sites are expected to be upgraded and 126 sites, at a cost of R9.5 million over the medium term. The planned upgrades include improvements to staff capacity, IT infrastructure and operating systems. The budget was therefore revised upwards to accommodate planned ICT projects

Staff cost (R50 839)

Additional capacity requirements were identified in the areas of Client Service Officers at processing centres, the Call Centre, and Risk Management in Provincial offices

Commission paid to SARS (R15 245)

The budget for Commission was adjusted upwards in line with increase in Contribution income

Property expenditure (R14 250)

The increase in revised budget is due to the increase in expenditure and estimates for the remainder of the financial year for cleaning of Provincial Office and Head Office buildings and Municipal Services – 94 Church Street and ABSA Towers

Investment Revenue R815 925

The Investment Income budget was adjusted in line with actuarial estimates for the 2017/18 year based on best-estimate basis, allowing for the time value of money and allowing for an explicit risk margin

Unearned Premium Reserve R873 701

The change in benefit payments budget was adjusted in line with actuarial estimates for the 2017/18 year based on expected economic conditions

42. Events after the reporting date

The financial statements were authorised for issue on 30 May 2018 and were authorised by the UIF advisory board.

Conditions at the reporting date:

As at reporting date there were some equity accounted SRI's investments for which we had not yet received signed financial statements.

The following were the SRI's for which UIF subsequently received financial information:

1. Signed financial statements for Resultant Finance (Pty) Ltd for year ended 28 February 2018
2. Signed financial statements for South Point Management Service (Pty) Ltd for year ended 28 February 2018
3. Signed financial statements for Razorite Health & Rehabilitation Fund en Commandite Partnership for year ended 31 March 2018
4. Signed financials for Educor Property Holdings (Pty) Ltd for year ended 31 December 2017
5. Draft financial statements for UIF Agri-Fund 1 en Commandite Partnership for year ended 31 December 2017
6. Signed financials for Gurb Investments (Pty) Ltd for year ended 31 March 2018

The disclosures that relate to these SRI's were subsequently updated in light of the new information received.

Department of Labour

**Annual Report for the
Unemployment Insurance Fund for
the year ended 31 March 2018**

Publisher: Department of Labour
Chief Director of Communications
Private Bag X117
Pretoria
0001

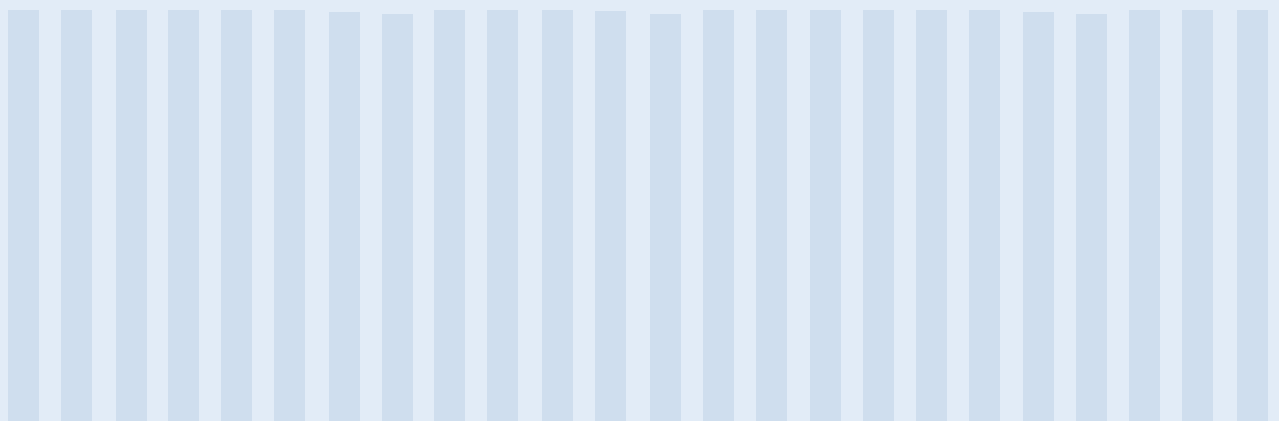
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RP285/2018

ISBN: 978-0-621-46527-3

Title of Publication: Unemployment Insurance Fund (UIF) Annual Report 2017/2018



Minister of Labour



It is my privilege to submit to you the Annual Report on the activities of the Unemployment Insurance Fund (UIF) for the year ended 31 March 2018. As required by section 11(3) of the Unemployment Insurance Act (UIA), 63 of 2001, the report includes the statement of financial position and the Statement of Financial Performance for the year ended 31 March 2018. It also contains the Auditor-General's report in terms of the Public Finance Management Act (PMFA), No. 1 of 1999.

A handwritten signature in black ink, appearing to read 'MN Oliphant'.

Minister, MN Oliphant, MP

UIF Board Members



Mr Teboho Maruping
(UIF Commissioner)



Mr Welcome Nzimande
(UIF Board Chairperson)



Ms Deirdre Botha
(Acting Audit Committee Chairperson)



Mr Jan Mahlangu
(Investment Committee Chairperson)



Mr Thulani Tshefuta
(Labour Activation Programmes
Committee Chairperson)



Mr Mondi Mchunu
(Financial Advisory
Committee Chairperson)



Adv Msuthu Matshani



Mr Tony Franks



Adv Eric Nwedo



Ms Laura Kganyago



Mr David Maphotho



Mr Dumisani Mthlane

Table of Contents



PART A: GENERAL INFORMATION.....	8
1. GENERAL INFORMATION.....	9
2. LIST OF ABBREVIATIONS.....	10
3. FOREWORD BY THE ACCOUNTING AUTHORITY.....	11
4. UNEMPLOYMENT INSURANCE COMMISSIONER'S STATEMENT.....	13
5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT.....	17
6. STRATEGIC OVERVIEW.....	18
7. LEGISLATIVE AND OTHER MANDATES.....	19
8. ORGANISATIONAL STRUCTURE.....	20
 PART B: PERFORMANCE INFORMATION.....	 22
1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES.....	23
2. SITUATIONAL ANALYSIS.....	23
2.1 SERVICE DELIVERY ENVIRONMENT.....	23
2.2 ORGANISATIONAL ENVIRONMENT.....	28
2.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES.....	28
2.4 STRATEGIC OUTCOME ORIENTED GOALS.....	29
3. PERFORMANCE INFORMATION BY PROGRAMME/ACTIVITY/OBJECTIVE.....	30
3.1 OFFICE OF THE COMMISSIONER.....	30
3.2 PROGRAMME 2: BUSINESS OPERATIONS.....	30
4. STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS.....	31
5. STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE.....	36
6. ANNEXURE A.....	37
7. SUMMARY OF FINANCIAL INFORMATION.....	43
8. OFFICIAL SIGN-OFF.....	48
 PART C: GOVERNANCE.....	 49
1. GOVERNANCE.....	50
2. RISK MANAGEMENT.....	61
3. INTERNAL CONTROL UNIT.....	70

PART D: HUMAN RESOURCE MANAGEMENT.....74

1. INTRODUCTION.....	75
2. THE KEY STRATEGIC HUMAN RESOURCE PRIORITIES... ..	75
3. KEY CHALLENGES.....	77
4. KEY STRATEGIC FOCUS FOR 2018/19.....	77
5. HUMAN RESOURCE OVERSIGHT STATISTICS.....	77

PART E: REPORT ON BUSINESS OPERATIONS AND OTHER SUPPORT SERVICES.....82

1. BUSINESS OPERATIONS.....	83
2. UIF ACCESS POINTS.....	84
3. BUSINESS OPERATIONS PERFORMANCE HIGHLIGHTS.....	85
4. CLAIMS PROCESSING.....	87
5. COMMUNICATIONS AND MARKETING.....	89
6. LABOUR ACTIVATION PROGRAMMES.....	90
7. LAP ACHIEVEMENTS 2017/18.....	92
8. OFFICIAL SIGN-OFF.....	96

PART F: FINANCIAL INFORMATION.....97

1. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE UNEMPLOYMENT INSURANCE FUND (UIF).....	99
2. ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL.....	103
3. UNEMPLOYMENT INSURANCE COMMISSIONER'S REPORT.....	104
4. STATEMENT OF FINANCIAL POSITION.....	110
5. STATEMENT OF CHANGES IN NET ASSETS.....	111
6. CASH FLOW STATEMENT.....	112
7. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	113
8. ACCOUNTING POLICIES.....	114
9. NOTES TO THE ANNUAL FINANCIAL STATEMENTS.....	133

PART A | GENERAL INFORMATION



1. GENERAL INFORMATION

Registered Name:	Unemployment Insurance Fund
Registration Number (if applicable):	Schedule 3 A public entity, established in terms of Section 4 (1) of the Unemployment Insurance Act, 63 of 2001 as amended
Physical Address:	230 Lillian Ngoyi Street Pretoria 0002
Postal Address:	UIF Pretoria
Telephone Number/s:	(012) 337 1700
Toll free Number:	(0800) 843 843
Call Centre:	(012) 337 1680
Email Addresses:	www.labour.gov.za www.ufiling.co.za
External Auditors:	Auditor General of South Africa, 300 Middel Street, New Muckleneuk, 0181
Bankers:	First National Bank, 6th Floor , 1st Place Bank City, Cnr Simmonds & Pritchard Streets, Johannesburg, 2001 ABSA Bank, ABSA Towers, 15 Troy Street, Johannesburg, 2001 Standard Bank, 9th Floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg, 2001 Nedbank, 135 Rivonia Road, Sandown, 2196

2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor General of South Africa
B-BBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DG	Director-General
DPSA	Department of Public Service and Administration
DOL	Department of Labour
ERP	Enterprise Resource Planning
ITA	Income Tax Act
MEC	Member of Executive Council
MOU	Memorandum of Understanding
MP	Member of Parliament
MTEF	Medium Term Expenditure Framework
PIC	Public Investment Corporation
PFMA	Public Finance Management Act
SACCI	South African Chamber of Commerce and Industry
SARS	South African Revenue Service
SCM	Supply Chain Management
SMME	Small Medium and Micro Enterprises
TR	Treasury Regulations
UIA	Unemployment Insurance Act
UIC	Unemployment Insurance Commissioner
UICA	Unemployment Insurance Contributions Act
UIF	Unemployment Insurance Fund
UIFB	Unemployment Insurance Fund Board

3. FOREWORD BY THE ACCOUNTING AUTHORITY



Introduction

The Constitution of South Africa provides that everyone has the right to have access to social security including, appropriate social assistance for those who are unable to support themselves and their dependents. Therefore, the Unemployment Insurance Fund is one of the social security agencies whose mandate is to provide social security to its contributors in line with section 27 (1) (2) of the constitution which states that “everyone has the right to social security”.

To give effect to the supreme law of the country, the Unemployment Insurance Act, 63 of 2001 (as amended) was enacted to establish the Unemployment Insurance Fund (UIF) whose primary mandate is to register employers and employees in South Africa and pay unemployment benefits to all those who qualify.

In pursuing its mandate, UIF develops the strategy and annual performance plan that outline deliverables to be achieved throughout the year.

Overview of the UIF's Strategy and Performance

The UIF has identified four strategic outcome-oriented goals to pursue over five years (2017/18 to 2021/22), and these are:

- Improve payment of benefits to UIF beneficiaries;
- Improve revenue collection from employers;
- Participate in government initiatives to create and sustain decent employment;
- Effective administration of the Fund's operations.

In the year under review the strategic objectives of the Fund were reviewed to give a more strategic focus, consequently the following strategic objectives were identified:

- Improve financial management;
- Improve service delivery;
- Improve compliance to Unemployment Insurance Act; and
- Fund poverty alleviation schemes.

UIF recognizes that to achieve its objectives it must develop performance measures for each financial year and constantly monitor and evaluate its performance. In the 2017/18 financial year, there were 12 performance targets to be pursued by UIF.

The UIF achieved 7 of the 12 giving it a performance of 58 %. Those that were not achieved still reflected an improvement from the levels achieved in the previous year.

The core business of UIF is to register employers and employees and pay benefits to qualifying beneficiaries. It is essential that claims for benefits are paid within the shortest time possible in order to relieve unemployed UIF contributors from financial constraints.


To achieve this UIF has reduced the claim processing time for all benefits types. Previously the Fund finalised claims for ordinary benefits within 30 working days, and in the year under review 85% of claims received were processed and finalized within 20 working days.

The Fund manages one of the key strategic interventions of the Department that is aimed at re-integrating unemployed UIF contributors back to the labour market. Therefore UIF, through the Labour Activation Programmes (LAP) trains and reskill unemployed UIF contributors in partnership with Sector Education and Training Authorities, Technical and Vocational Education and Training colleges and Universities. During the year under review 6 586 UIF beneficiaries participated in various labor activation programmes and in the next financial year we aim to reach 450 000 UIF beneficiaries.

STRATEGIC RELATIONSHIPS

The UIF discharges its mandate in collaboration with other state institutions and government departments, and it works closely employers and employees to improve service delivery. During the financial year the UIF continued its partnerships with various stakeholders, including South African Institute of Chartered Accountants, South African Institute of Professional Accountants, Sage HR & Payroll, Pay Day Software Systems, to assist it to improve the compliance levels of employers.

The Fund's relationship with the South African Revenue Services (SARS) continues to yield good results for the Fund's operations. Continuous engagements ensure that this relationship grows to higher levels to ensure adequate cover to qualifying employees.



T Lamati

Director General of Labour

Date: 31 July 2018

4. UNEMPLOYMENT INSURANCE COMMISSIONER'S STATEMENT



According to Stats SA the unemployment rate remained unchanged at 26.7% during the first quarter of 2018, which inevitably puts a sharp focus on the role played by the Unemployment Insurance Fund (UIF) in providing social security to vulnerable workers and their families.

Unemployment affects the unemployed individual and his family, not only with respect to income, but also with respect to health and mortality. In some instances the effects of unemployment tend to linger for years and that is why it is critical that UIF intervenes at the right time, all the time to curb its harmful effects.

Last year UIF reviewed its Vision, Mission and Objectives, which was inspired by our desire to improve service delivery and putting customers at the centre of service delivery. This initiative coincided with the approval of the Unemployment Insurance Amendment Act in January 2017. Although the Act is not operational at this juncture, it is going to greatly improve the provision of benefits by among others, extending time for submission of claims, increasing period for payment of claims, increasing the rate of payment for maternity benefit to 66% flat rate, and extending coverage to public servants and people in learnerships. The improved benefits under the new Act will ensure that livelihood of vulnerable workers are sustained for a longer period of time. of benefits to workers once it is fully operational.

Our stakeholders and clients have expressed dissatisfaction with poor service at Labour Centres services, and the biggest complaint has been delays in claims processing and making payments. In a true spirit of realising our vision, "A caring, accessible and customer centric UIF that contributes towards a poverty alleviation", we embarked on a 'changing lives drive' where we stratified claims into categories and revised processing period for each category, and also developed the Service Delivery Action Plan.



// The UIF has developed the Service Delivery Improvement Plan to address gaps in claims processes, IT infrastructure and systems and personnel capacity. //

CHANGING LIVES DRIVE

Previously it took the Fund 30 days to process all claims irrespective of benefit type, and upon close analysis we realised this was not helping our beneficiaries as we took too long to process and pay claims. The period to finalise claims have consequently been reduced to 15 days for unemployment benefit, 10 days for In-Service (Maternity, Illness and Adoption) and 20 days for Deceased benefit. During this reporting period our target was to finalise 90% unemployment claims within 15 days and we were able to finalise 89% of claims. Although the target was missed by 1%, it gives us comfort that the majority of workers who claimed for unemployment benefit were able to receive payments within a short space of time, thus easing their financial burden and enabling them to meet their immediate needs.

Service Delivery Improvement

In light of the complaints about poor service delivery by our stakeholders and clients, UIF has developed the Service Delivery Improvement Plan aimed to drastically improve service delivery.

The action plan addresses gaps in claims processes, IT infrastructure and systems, and personnel capacity. The Fund has made significant progress in implementing the following IT related action items: Infrastructure upgrade, installation of Biometric system, Wi-Fi system, and Queue Management System in all 126 Labour Centres. In addition, the u-Filing system is also being revamped to enable employers to easily declare employees and pay contributions.

Part of this plan is to streamline the processing of claims by decentralizing it to Labour Centres so that claims can be finalized at Labour Centres, thus reducing delays in making payments to our clients.

We want to promote greater self-service where clients have options to choose how they access our services through various touch points available at their disposal.

Benefit Payments

During this reporting period UIF received 836 141 claims, which represents a 9.6% increase from 762 938 of the previous year, with 80% of the total claims being for unemployment benefit. A total of R 9,3 billion was paid across all benefit claims, with 1% increase in payments for the unemployment benefit from R 6, 9 billion in the previous year to R 7, 5 billion during the year under review.

Poverty Alleviation Schemes

The personal and social costs of unemployment include severe financial hardship and poverty which sometimes results in family tensions and breakdown, increased social unrests, shame and stigma.

Negative socio-economic conditions brought by unemployment create a fertile ground for civil strife and political instability and it for this reason that the UIF Advisory Board made recommendations to the Minister of Labour back in 2008 to introduce Poverty Alleviation Schemes to stem the tide of retrenchments during the global economic crises.

The Poverty Alleviation Schemes are relevant today as they were in 2008 because retrenchments are still rife as the country experiences negative economic growth and many companies are either downsizing or closing down.

The introduction of Poverty Alleviation Schemes resulted in the formation of the Labour Activation Programmes (LAP) Unit within the UIF, which aims to provide training and re-skilling of unemployed UIF beneficiaries with the ultimate objective of re-integrating them back to the labour market. Labour Activation Programmes are mainly targeted at UIF's beneficiaries, but also targets 30% of the youth drawn from the work seekers database of the Department of Labour.

Training Interventions

LAP training interventions consist of Training of the Unemployed, Training Lay Off Scheme, Turnaround Solution and Enterprise Development. During the 2017/18 financial year 11 744 unemployed UIF beneficiaries participated in various skills training programmes conducted in partnership with Technical and Vocational Education and Training colleges, as well as Sector Education and Training Authorities.

The training programmes vary between Skills programmes, Learnerships, and Artisanship, and participants receive a minimum stipend of R 1 500 for the duration of the training. However, those who participate in the Training Lay Off scheme receive 75% of their salary as they will still be employed while in training.

The social impact of LAP is quite encouraging as we have seen how it has improved lives of participants through stipends and others getting employed permanently both in South Africa and abroad. In some instances, some learners particularly in the Civil Building and Construction programmes went on to start their own businesses and obtained sub-contracting work from construction companies.

Financial Highlights

Financial prudence has ensured that the UIF continues to maintain its strong financial position despite the overall increase in benefits payment from R 8,4 billion in 2016/17 to R 9,2 billion in 2017/18, and this happened despite the R 8 billion budgeted for the implementation of the new Unemployment Amendment Act of 2016.

	000		
Contribution Revenue	R 18 740 065	2.6%	↑
Investment Revenue	R 9 451 677	2,7%	↑
Total assets	R 158 123 406	13%	↑
Technical reserves	R 40 928 889	6,4%	↑
Benefit payments	R 9,227 370	9%	↑



“ The Public Investment Corporation makes investments on behalf of the UIF as per the investment mandate approved by UIF Advisory Board. Approximately **23 000 jobs** have been created through these investments across nine provinces, and close to **17 billion rand** has already been committed to about 26 investment projects. **”**

Socially Responsible Investments

UIF allocates 20% of its investment portfolio to Socially Responsible Investments (SRI) that is based on a social responsibility mandate which ensures that in addition to earning good financial returns, an investment should support positive, long-term economic, social and environmental outcomes that yield a good social return to the country.

The Public Investment Corporation makes investments on behalf of the UIF as per the investment mandate approved by UIF Advisory Board. The bulk of UIF investments under this portfolio encompass Economic infrastructure, Social infrastructure, Agriculture, and Environmental infrastructure.

Approximately 23 000 jobs have been created through these investments across nine provinces, and close to 17 billion rand has already been committed to about 26 investment projects.

Audit Report Matters of the previous financial year

Material findings during the audit on the 2016/17 financial year with regards to performance management, investment accounting and supply chain management was the source of major concern leading to the Auditor-General disclaimer audit opinion. The Fund embarked on a plan of action aptly named “Operation Clean Audit” to address audit findings leading to Auditor General disclaimer audit opinion and improve its control environment.

There was a concerted effort by the Fund in the year under review on the management of organisational performance, specifically those areas that were under achieved during the 2016/17 financial year

These efforts have yielded positive results in that the Auditor General has given us the unqualified opinion findings which is a great leap from the disclaimer audit opinion. However, our aim is to reclaim the clean audit status we managed to keep for seven consecutive years and to achieve this we have introduced corporate governance indicators in performance agreements of middle and senior managers, and have also relocated the governance office to the Office of the Commissioner.

**Ke a Leboga
Baie Dankie
Ngiyabonga**

Unemployment Insurance Commissioner
T Maruping
Date: 31 July 2018

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.

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

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

The Annual Financial Statements (Part F) have been prepared in accordance with the Generally Recognised Accounting Practise (GRAP) standards applicable to the public entity.

The accounting authority is responsible for the preparation of the 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 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 2018.

Yours faithfully



Unemployment Insurance Commissioner
T Maruping
Date: 31 July 2018



Director General of Labour
T Lamati
Date: 31 July 2018

6. STRATEGIC OVERVIEW



VISION

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



MISSION

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



VALUES

Transparency, Mutual respect, Client-centered services, Integrity, Accountability, Team work, Caring for our people



STRATEGIC OBJECTIVES

Improve financial Management

Improve service delivery

Improve compliance to
Unemployment Insurance Acts

Fund Poverty alleviations
schemes

OUTPUTS

Sound financial management
Social responsible

Improve client service

Improved compliance

Social plan funded



CRITICAL SUCCESS FACTORS

80% Social Responsible
investment

≤15% Administrative expenditure
(Excluding capex) as a percentage
of revenue

90% of unemployment benefits
claims processed within 15
working days

90% of new companies issued
with registration document within
2 working days

60 000 newly registered
employers

7.2% increase in revenue

100% of Training Lay-Off
Scheme approved within 20
working days

7. LEGISLATIVE AND OTHER MANDATES

The Unemployment Insurance Fund is a Schedule 3 A public entity in terms of the Public Finance Management Act, 1 of 1999.

Constitutional Mandate

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

Other Legislative Mandates

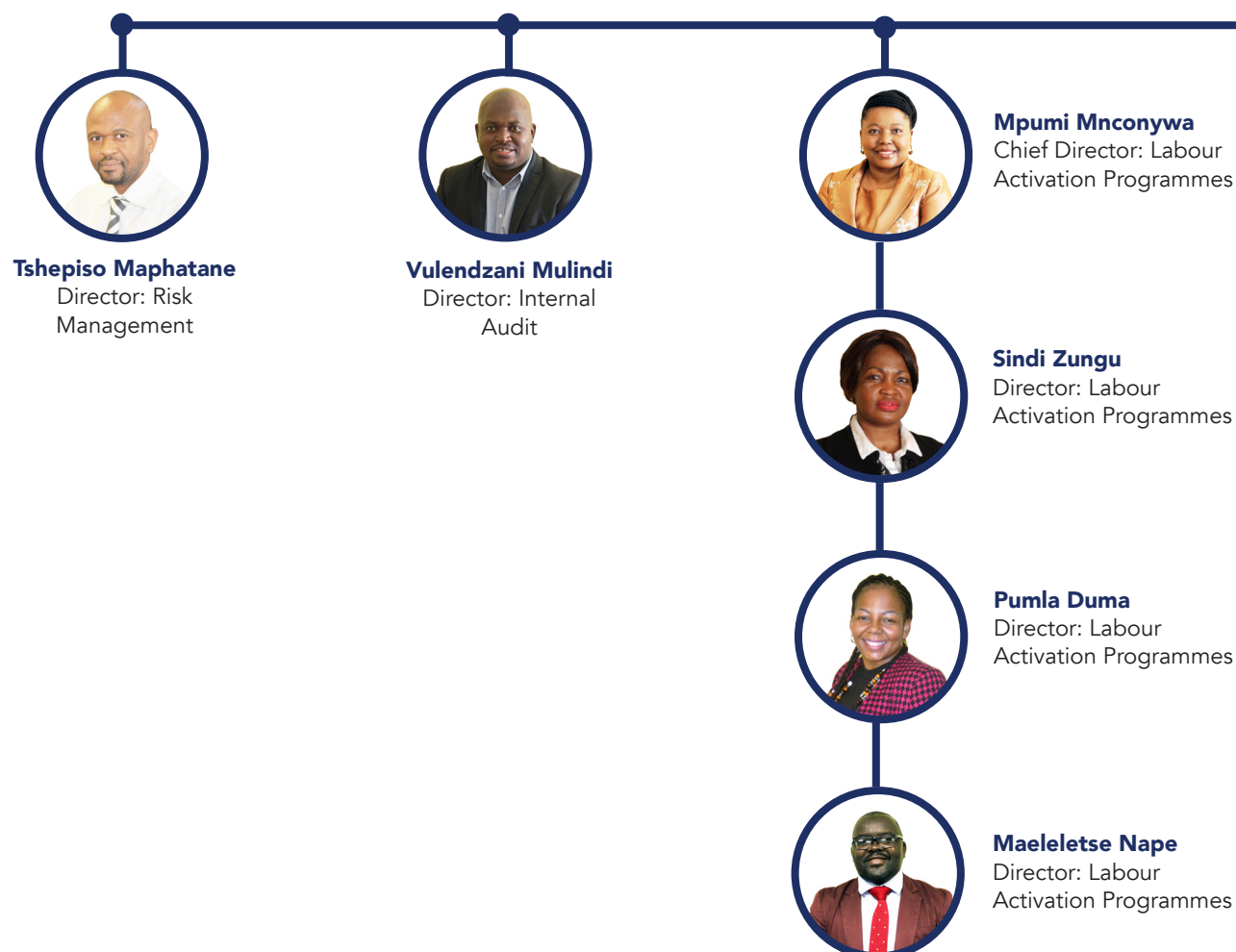
Unemployment Insurance Act, 63 of 2001 (as amended)

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

Unemployment Insurance Contributions Act, 4 of 2002

Section 9 of the Unemployment Insurance Contributions Act empowers the Unemployment Insurance Commissioner to collect contributions from all those employers who are not required to register as employers in terms of the fourth schedule to the Income Tax Act and are not liable for the payment of the Skills Development Levy in terms of the Skills Development Act. These contributions together with those collected by the SARS Commissioner in terms of section 8 of the Unemployment Insurance Contributions Act, are utilised to pay benefits and any other expenditure reasonably incurred relating to the application of the Unemployment Insurance Act.

8. ORGANIZATIONAL STRUCTURE





Teboho Maruping
Unemployment Insurance
Fund Commissioner



Judith Kumbi
Chief Director:
Operations



Hilda Mhlong
Chief Director:
Corporate Services



Fezeka Puzi
Chief Financial
Officer



Tom Buys
Acting Director:
Operations



Petro Roux
Director: Human Resources
Management and
Development



Christine Fourie
Director: Treasury
Investments and
Actuarial Services



**Malesela
Makgamatho**
Director:
Compliance



David Khumalo
Director: Strategic
Planning, Monitoring
and Evaluation



Hlalisa Anderibigbe
Director: Budgets,
Expenditure and
Bank Reconciliations



Allan Regavallo
Director: Provincial
Support



Makhosonke Buthelezi
Director: Communication
and Marketing



Maria Ramoshaba
Director: Supply
Chain Management



Andries Mathabela
Director: Organisational
Effectiveness



Ziyanda Fololo
Director: Income



Xola Monakali
Director: ICT



**Lezanne
Briedenhann**
Director: Reporting



Mazwiogwani Phathela
Director: Legal Services



Lebo Van Wyk
Director: Board Services
and Security Management

PART B | PERFORMANCE INFORMATION



1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA 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 99 - 209 of the Report of the Auditors Report, published as Part F: Financial Information.

2. SITUATIONAL ANALYSIS

2.1 Service Delivery Environment

2.1.1 Outputs

Claims finalised and payment of benefits

In 2017/18 financial year the Fund measured benefits claims separately according to their types, for example Unemployment, In-service (maternity, illness and adoption) and deceased. A total of 836 141 of all types of benefits valid claims with complete information were received through various Labour Centres across the country of which 676 795 (81%) were finalised during 2017/18 financial year. In eliminating the queues in the Labour Centres, the beneficiaries submitted a total of 23 349 claims through U-filing portal against a target of 23 000 for 2017/18. A total of 565 293 (83%) of 679 988 Unemployment benefits were finalised within fifteen working days, 99 101 (71%) of 139 691 In-service benefits were finalised within five working days and 12 401 (75%) of 16 462 Deceased benefits were finalised within ten working days. This is a great improvement as the Fund moved from finalising claims within 30 working days as compared to 2016/17 financial year. Subsequently 2 372 481 (99%) of 2 407 590 payments were processed within seven working days.

Registration of employers

In improving compliance to the Unemployment Insurance Fund Act, the Fund managed to register a total of 66 198 new employers against the target of 60 000. This is an indication that employers are starting to adhere and honour the law. A total of 18 444 employers have declared/or paid their employee's contributions through U-filing system against a target of 18 000. This has resulted in speeding up the finalisation of claims.

Social Responsibility

South Africa's current economic outlook makes it imperative for the Fund to play a role in alleviating the hardships that unemployed South African workers have to bear. The Fund contributes to meaningful job retention and job creation initiatives in partnership with the Industrial Development Corporation (IDC) and the Public Investment Corporation (PIC).

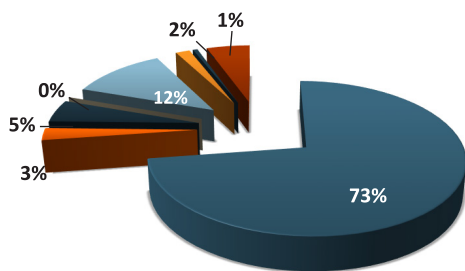
The Fund has disbursed approximately R 2, 8 billion through the IDC bond that is utilised to fund Socially Responsible Investments. Since the inception of the bond, the combined efforts of UIF and IDC have created and saved 53 140 jobs in the following sectors: Automotive & Transport Equipment, Basic Metals & Mining, Chemical Products & Pharmaceuticals and Clothing & Textiles. In addition, UIF investments through the PIC have sustained 6,860 jobs of which 3,024 are permanent, 3,836 are temporary / seasonal and 195 are new jobs created during the 2017/18 financial year.



“The Fund contributes to meaningful job retention and job creation initiatives in partnership with the Industrial Development Corporation (IDC) and the Public Investment Corporation (PIC).”

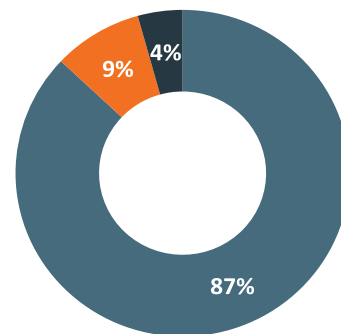
UIF Developmental Investments Portfolio Summary

Geographic Split



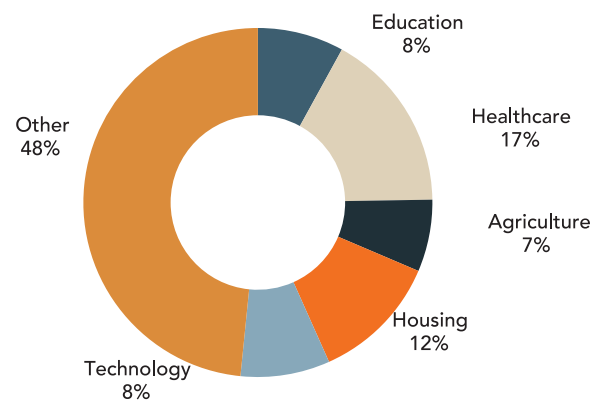
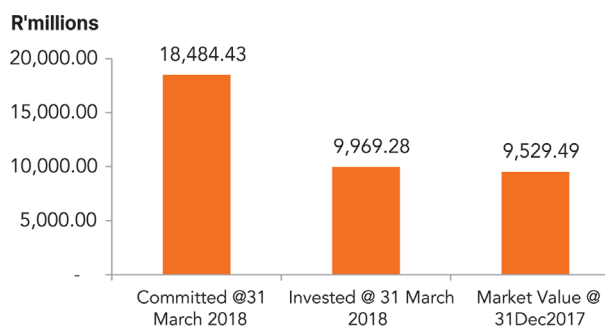
Gauteng
North West
Kwazulu Natal
Northern Cape
Western Cape
Limpopo
Eastern Cape
Mpumalanga

Instrument Split %



Debt
Direct Equity
Indirect Equity

Sector Split as at 31 March 2018



The Fund is involved in poverty alleviation schemes managed under the Labour Activation Programmes. The schemes were developed as means to prevent job losses and assist companies in distress during the 2008 global economic crises. The schemes comprise of Training of the Unemployed, Training Layoff Schemes, Turnaround Solutions and Enterprise Development, and during the year under review 11 744 UIF beneficiaries have benefitted in various training and reskilling programmes, as well as having their jobs saved.

Table 1: Number of UI beneficiaries benefited from LAP schemes and expenditure

SCHEMES	PROGRAMME(S)	NUMBER OF BENEFICIARIES		EXPENDITURE	
		2016/2017	2017/2018	2016/2017	2017/2018
Training of the Unemployed	Skill Programmes, Apprenticeships and Learnerships.	1 786	4 702	R 124 700 000.00	R 46 412 903.87
Training Layoff Scheme	Social plan Funding	135	358	R 2 000 000.00	R 34 544 189.87
Turnaround Solutions	Jobs Saved	4 760	6 684	R 17 500 000.00	R 14 780 255.70
TOTAL		6 681	11 744	R 144 200 000.00	R 95 737 349.44

2.1.2 Challenges encountered and corrective measures when rendering services to the public

NO	PERFORMANCE INDICATOR	CHALLENGES	CORRECTIVE MEASURE
1	Percentage of valid claims (Unemployment benefit) with complete information approved or rejected.	<p>Unintegrated operational systems which lead to duplication of processes do not support efficient operation.</p> <p>Inadequate monitoring of Labour Centres by the provincial office which results in Labour Centres sending applications for assessment at the processing offices after the turnaround times have expired.</p>	<p>Operations is currently reviewing the claims business process and the new process is expected to be piloted in the new financial year (2018/19).</p> <p>Together with the business process review, Operations has developed the integration requirements of Virtual Office, a Siyaya and ICT is in the process of appointing the new service provider that will implement the integration of the two systems.</p> <p>The Gauteng Provincial Office shared their best practice at a special Operations Forum where workflow model they use to monitor the performance of labour centres and the all provinces were requested to develop their own workflow documents and the implementation will be monitored through the OPS Forums during the 2018/19 financial year.</p> <p>The Provincial Support Unit will also visit labour centres to monitor performance.</p> <p>Operations has given the ICT Unit requirements for the Business Intelligence tool / dashboard for development in the new financial year (2018/19) to enable monitoring of performance on a daily basis.</p>

NO	PERFORMANCE INDICATOR	CHALLENGES	CORRECTIVE MEASURE
2	Percentage of valid claims (In-service benefits; Maternity, illness and adoption benefits) with complete information approved or rejected.	<p>Unintegrated operational systems which lead to duplication of processes do not support efficient operation.</p> <p>Inadequate monitoring of Labour Centres by the provincial office which results in Labour Centres sending applications for assessment at the processing offices after the turnaround times have expired.</p> <p>The system allocates all claims to the inbox of the assessor and all benefit types which have different turnaround times resulting in lack of prioritisation and affects turnaround time.</p>	<p>Reviewed targets from 5 days to 10 days (In-Service).</p> <p>Operations is currently reviewing the claims business process and the new process is expected to be piloted in the new financial year (2018/19).</p> <p>Together with the business process review, Operations have developed the integration requirements of VO and Siyaya and ICT is in the process of appointing the new service provider that will implement the integration of the two systems.</p> <p>Gauteng shared their best practice at a special OPS Forum where workflow model they used to monitor the performance of the labour centres and the all Provinces where requested to develop their own workflow documents and the implementation will be monitored through the OPS Forums during the 2018/19 financial year.</p> <p>Provincial Support Unit will also visit labour centres to monitor the performance.</p> <p>Operations has given the ICT Unit requirements for the Business Intelligence tool / dashboard for development in the new financial year (2018/19) to enable monitoring of performance on a daily basis.</p> <p>The systems will be enhanced to enable the allocation of claims according to different claims benefit types.</p>



2.1.2 Challenges encountered and corrective measures when rendering services to the public (continued)

NO	PERFORMANCE INDICATOR	CHALLENGES	CORRECTIVE MEASURE
3	Percentage of valid claims (Deceased benefit) with complete information approved or rejected.	<p>Inadequate monitoring of labour centres by the provincial office which results in labour centres sending applications for assessment at the processing offices after the turnaround times have expired.</p> <p>The system allocates all claims to the inbox of the assessor and all benefit types which have different turnaround times resulting in lack of prioritisation and affects turnaround time.</p>	<p>Reviewed targets from 5 days to 10 days (In-Service).</p> <p>Operations is currently reviewing the claims business process to and the new process is expected to be piloted in the new financial year (2018/19).</p> <p>Together with the business process review, Operations have developed the integration requirements of VO and Siyaya and ICT is in the process of appointing the new service provider that will implement the integration of the two systems.</p> <p>Gauteng shared their best practice at a special OPS Forum where workflow model they used to monitor the performance of the labour centres and the all Provinces where requested to develop their own workflow documents and the implementation will be monitored through the OPS Forums during the 2018/19 financial year.</p> <p>Provincial Support Unit will also visit labour centres to monitor the performance.</p> <p>Operations has given the ICT Unit requirements for the Business Intelligence tool / dashboard for development in the new financial year (2018/19) to enable monitoring of performance on a daily basis.</p> <p>The systems will be enhanced to enable the allocation of claims according to different claims benefit types.</p>

2.2 Organisational environment

New Directors were appointed for the Directorates: Organisational Effectiveness, Supply Chain Management and Risk Management. The vacant post for Chief Director: Operations was also filled.

2.3 Key policy development and legislative changes

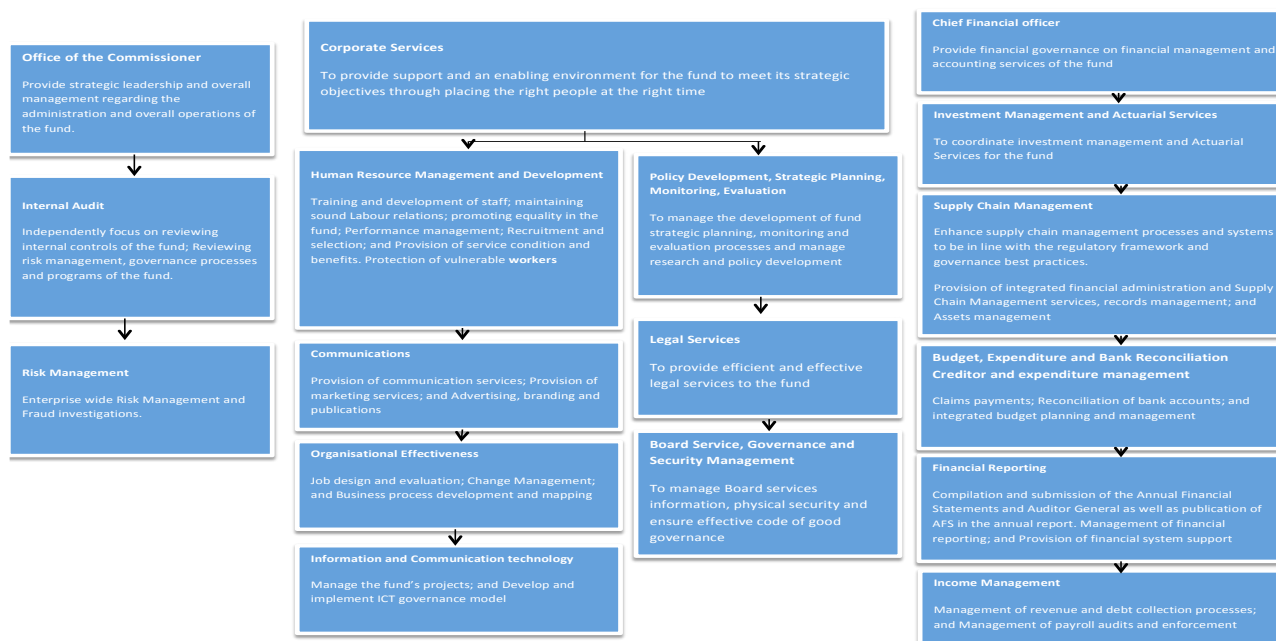
None.

2.4. Strategic Outcome Oriented Goals

Strategic outcome oriented goal 1	Improve collection of revenue from employers	2017/18 Target	Achievement
Goal statement	Increase contributions collected by at least the prevailing Consumer Price Index (CPI).	7.2% by 31 March 2018	2.65%
Strategic outcome oriented goal 2	Improve payment of benefits to beneficiaries of the Fund	2017/18 Target	Achievement
Goal statement	Increase the rate of processing claims in order to pay within the targeted service levels and turnaround times	90% of unemployment benefits within 15 working days by March 2018.	83%
Goal statement	Increase the rate of processing claims in order to pay within the targeted service levels and turnaround times	90% of in-service benefits within 5 working days by March 2018.	71%
Goal statement	Increase the rate of processing claims in order to pay within the targeted service levels and turnaround times	90% of deceased benefits within 10 working days by March 2018.	75%
Strategic outcome oriented goal 3	Participate in government initiatives of creating and sustaining decent employment	2017/18 Target	Achievement
Goal statement	Contribute in the various schemes designed to alleviate the harmful effects of unemployment which includes investing mandated funds in the Social Responsible Investments	100% Within 20 working days by March 2018	100% 22 applications were approved within 20 working days by March 2018.
Strategic outcome oriented goal 4	Effective administration of the Fund's operations	2017/18 Target	Achievement
Goal statement	Maintain effective systems of internal control as required by the Public Finance Management Act of 1999.	Maintain effective systems of internal control as required by the Public Finance Management Act of 1999. (An unqualified audit opinion).	Unqualified audit opinion

3. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY/ OBJECTIVE

3.1 Programme 1: Administration



3.2 Programme 2: Business Operations.

Chief Directorate: Operations

To collect contributions and pay benefits.

- Management and administration of benefit payments.
- Management and administration of declaration processes.
- Monitoring of Provincial Office performance.
- Provision of Call Centre services.
- Registration of employers.

3.3 Programme 3: Labour Activation Programme

Chief Directorate: Labour Activation Programme

Provide strategic leadership and guidance on the implementation of the Labour Activation Programmes.

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

4. STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Strategic objectives	Performance indicator	Actual Achievement 2014/15	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Improve financial management	Percentage return on investment.	11.83% return on investment achieved by March 2015 Calculation R 11 085 878 569.30 / R 93 714 431 323.34 = 0.11829*100% = 11.83%	3.3% return on investments by March 2016. R3 687m / 112 757m = 0.0326*100 = 3.3%	5.90% (R7 286 919 311/123 522 767 644 x100) return on investment was achieved by March 2017.	CPI return on investment by March 2018 (3.8% by March 2018)	Achieved 12.36% (R146 702 753 323-R130 562 709 701)= 16 140 043 622/ R130 562 709 701X*100 Return on investment achieved as at 31 March 2018.	Target over achieved by 8.56%	The portfolio diversification coupled with low inflation has contributed to the variance.
Improve financial management	Administrative expenditure (excluding capex) as a percentage of revenue.	Administrative Expenditure was 10% of Revenue by March 2015. 1 573 656 / 16 150 796 = 10%	Administrative expenditure was 9.9% of Revenue by March 31 2016. R1 691m / R17 120mx100 = 9.9%	11.1% (2038016/18239065x100) of administrative expenditure as at March 2017	Administrative expenditure ≤ 15% by March 2018	Achieved Administrative expenditure was at 11% (2 001 016/18 184 546)*100 as at 31 March 2018.	None	There is no variance for this target. Actual achievement is 11% which complies with the target of less than 15% of revenue.
Improve financial management	Percentage of total mandated social responsible Investment committed.	R 7 930 270 660 (Invested/ Committed) / R 9 371 443 132 (10% of Portfolio as at 1/4/2014) = 85%	R7 68m invested/ committed. R11 275 million (10% of portfolio as at 01/04/2015) R7 688m / R11 2757m = 0.68*100 = 68%	85% (R 20 935 691 043/24704 553x100) of total mandated social responsible investment committed by March 2017.	80% by March 2018	Achieved 91% (24 843 290 558/27 348 750 148 x 100) of total mandated social responsible investments committed as at 31 March 2018.	Target over achieved by 11%	The SRI Commitment Value increased by 25% in 2017/2018 financial year.

Strategic objectives	Performance indicator	Actual Achievement 2014/15	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Improve service delivery	Percentage of valid claims (Unemployment benefit) with complete information approved or rejected.	90%	84%	89%	90% within 15 working days by March 2018.	Not Achieved 83% within 15 working days as at 31 March 2018.	Target under planned target achieved by 7%	Unintegrated operational systems which lead to duplication of processes do not support efficient operation. Inadequate monitoring of labour centres by the provincial office which results in labour centres sending applications for assessment at the processing offices after the turnaround times have expired.
Improve service delivery	Percentage of valid claims (In-service benefits; Maternity, illness and adoption benefits) with complete information approved or rejected.	92%	88%	87%	90% within 5 working days by March 2018	Not Achieved 71% within 5 working days as at 31 March 2018	Target under planned target achieved by 19%	Unintegrated operational systems which lead to duplication of processes do not support efficient operation. Inadequate monitoring of labour centres by the provincial office which results in labour centres sending applications for assessment at the processing offices after the turnaround times have expired. The system allocates all claims to the inbox of the assessor and all benefit types which have different turnaround times resulting in lack of prioritisation and affects turnaround time.

Strategic objectives	Performance indicator	Actual Achievement 2014/15	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations																																															
Improve service delivery	Percentage of valid claims (Deceased benefit) with complete information approved or rejected.	91%	82%	89%	90% within 10 working days by 31 March 2018	Not Achieved 75% within 10 working days as at 31 March 2018.	Target under achieved by 15%	Unintegrated operational systems which lead to duplication of processes do not support efficient operation. Inadequate monitoring of labour centres by the provincial office which results in labour centres sending applications for assessment at the processing offices after the turnaround times have expired. The system allocates all claims to the inbox of the assessor and all benefit types which have different turnaround times resulting in lack of prioritisation and affects turnaround time.																																															
		<table><tr><th>Province</th><th>Created</th><th>Finalised</th><th>Final %</th></tr><tr><td>Eastern Cape</td><td>2 198</td><td>1 712</td><td>78%</td></tr><tr><td>Free State</td><td>1 199</td><td>845</td><td>70%</td></tr><tr><td>Gauteng</td><td>4 176</td><td>2 868</td><td>69%</td></tr><tr><td>KwaZulu-Natal</td><td>3 238</td><td>2 732</td><td>84%</td></tr><tr><td>Limpopo</td><td>1 331</td><td>940</td><td>71%</td></tr><tr><td>Mpumalanga</td><td>1 509</td><td>1 131</td><td>75%</td></tr><tr><td>North West</td><td>589</td><td>343</td><td>58%</td></tr><tr><td>Northern Cape</td><td>490</td><td>456</td><td>93%</td></tr><tr><td>Western Cape</td><td>1 732</td><td>1 374</td><td>79%</td></tr><tr><td>Grand Total</td><td>16 462</td><td>12 401</td><td>75%</td></tr></table>				Province			Created	Finalised	Final %	Eastern Cape	2 198	1 712	78%	Free State	1 199	845	70%	Gauteng	4 176	2 868	69%	KwaZulu-Natal	3 238	2 732	84%	Limpopo	1 331	940	71%	Mpumalanga	1 509	1 131	75%	North West	589	343	58%	Northern Cape	490	456	93%	Western Cape	1 732	1 374	79%	Grand Total	16 462	12 401	75%				
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Improve service delivery	Percentage of payment documents processed after receipt	N/A	N/A	N/A	95% of payment documents processed within 7 working days of receipt by 31 March 2018.	Achieved 99% within 7 working days as at 31 March 2018.	Target Over achieved by 4%	Payment forms taken manually and captured directly in Siyaya																																															
		<table><tr><th>Province</th><th>Created</th><th>Finalised</th><th>Final %</th></tr><tr><td>Eastern Cape</td><td>194 382</td><td>192 115</td><td>99%</td></tr><tr><td>Free State</td><td>113 164</td><td>111 261</td><td>98%</td></tr><tr><td>Gauteng</td><td>717 254</td><td>714 362</td><td>100%</td></tr><tr><td>Head Office</td><td>38 591</td><td>36 491</td><td>95%</td></tr><tr><td>KwaZulu-Natal</td><td>463 465</td><td>448 192</td><td>97%</td></tr><tr><td>Limpopo</td><td>171 275</td><td>170 847</td><td>100%</td></tr><tr><td>Mpumalanga</td><td>155 497</td><td>150 798</td><td>97%</td></tr><tr><td>North West</td><td>82 221</td><td>81 743</td><td>99%</td></tr><tr><td>Northern Cape</td><td>64 777</td><td>62 359</td><td>96%</td></tr><tr><td>Western Cape</td><td>392 293</td><td>390 041</td><td>99%</td></tr><tr><td>Grand Total</td><td>2 392 919</td><td>2 358 209</td><td>99%</td></tr></table>				Province			Created	Finalised	Final %	Eastern Cape	194 382	192 115	99%	Free State	113 164	111 261	98%	Gauteng	717 254	714 362	100%	Head Office	38 591	36 491	95%	KwaZulu-Natal	463 465	448 192	97%	Limpopo	171 275	170 847	100%	Mpumalanga	155 497	150 798	97%	North West	82 221	81 743	99%	Northern Cape	64 777	62 359	96%	Western Cape	392 293	390 041	99%	Grand Total	2 392 919	2 358 209	99%
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Strategic objectives	Performance indicator	Actual Achievement 2014/15	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018				Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Improve service delivery	Percentage of new companies with complete information issued with registration certificate.	N/A	N/A	N/A	90% within 2 working days by 31 March 2018	Achieved 98% within 2 working days as at 31 March 2018.				Target Over achieved by 8%	The registration team is working efficiently and registration documents are prioritized according to the date of receipt. Evidence is reflected on new registration turnaround time report.
						Province	Created	Finalised	Final %		
						Eastern Cape	4 072	4 004	98%		
						Free State	1 948	1 832	94%		
						Gauteng	5 228	5 115	98%		
						Head Office	40 286	39 984	99%		
						KwaZulu-Natal	5 446	5 232	96%		
						Limpopo	2 141	2 059	96%		
						Mpumalanga	3 084	2 966	96%		
						North West	1 173	1 104	94%		
						Northern Cape	1 094	1 047	96%		
Improve compliance to unemployment insurance acts	Number of newly registered employers per year	An increase of 3.4% Employers Registered 2014/15= 53 312 Employers Registered as at 31 March 2014= 1 526 416 53312/1 526 416 = 0,034*100% = 3,4%	A total of 51 904 new employers were registered against the target of 63 189 which represents 3.3% (51 904/1579 728= 0,0328*100=3.3%)	Total of 58 351 new employers were registered	60 000 by March 2018	Achieved 66 198 newly registered employers as at 31 March 2018.				Target Over achieved by 6 198	Collaboration with the Department of Basic Education to register schools for the National Schools Nutrition Project.
						Grand Total	66 198	64 939	98%		

Strategic objectives	Performance indicator	Actual Achievement 2014/15	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
	Percentage increase in revenue per year	Contributions revenue collected by 31 March 2014-R15 309 million Contributions revenue collected by 31 March 2015 (R16 147 million) an increase of 5.5%	6% increase in revenue collected was achieved as at March 2016. Contribution revenue collected by March 2016 – R17 120m. Contribution revenue collected by March 2015 – R16 147m.	March, 2017 – R18 256 811 119.38 March, 2016 – R17 120 380 688.29 Which yielded a 6.6% instead of 7.5% Increase in contributions revenue received during the reporting period.	7.2% by March 2018	Not Achieved 2.65 % increase in revenue inflows (R18 740 065 479.44 - R18 256 811 119.38)/ (R18 256 811 119.38)x100 Which yielded a 2.65% increase instead of 7.2% increase in contributions revenue received during the reporting period	Target under achieved by 4.55.%	Actual revenue that is received fluctuates based on volatile economic markets

Strategic objectives	Performance indicator	Actual Achievement 2014/2015	Actual Achievement 2015/2016	Actual Achievement 2016/2017	Planned Target 2017/2018	Actual Achievement 2017/2018	Deviation from planned target to Actual Achievement for 2017/2018	Comment on deviations
Fund poverty alleviation schemes.	Turnaround time to approve or reject funding after receipt of complete information.	N/A	N/A	5 applications received, 2 approved and 3 rejected within 30 days	100% Within 20 working days	Achieved 100% 22 applications were approved within 20 working days as at 31 March 2018.	None	There is no deviation on this target.
	Turnaround time to transfer funds to partners after receipt of accurate invoice	N/A	N/A	N/A	100% within 10 working days by March 2018	Not Achieved 7% 72 invoices were received, 5 were paid within 10 working days and 67 after 10 working days as at 31 March 2018.	Target underachieved by 93%.	The invoices are submitted to Finance on average within 5 days. The process from SCM and Finance for payment takes more than 7 days.

5. STRATEGY TO OVERCOME AREAS OF UNDER PERFORMANCE

Business Operations is currently reviewing the claims business process and the new process is expected to be piloted in the new financial year (2018/19). The integration requirements of Virtual Office (VO), Siyaya and ICT is been developed and in the process of appointing the new service provider that will implement the integration of the two systems. Further the Business Intelligent tool/ dashboard to enable monitoring of performance on a daily basis will be implemented in the 2018/19 financial year. Through the shared best practises of the Gauteng Province workflow model, other provinces have been requested to develop their own workflow documents, and the implementation will be monitored during the 2018/19 financial year. The turnaround times for processing the In-Service benefit type (maternity, illness and adoption) have been revised.

In terms of the indicator relating to the percentage increase in Revenue per year, the request for increase in maximum ceiling on contribution was submitted to National Treasury; however the process is still ongoing. The Fund improved the debt collection process in Head Office and Provinces.



“ Through the shared best practises of Gauteng Province workflow model, other provinces have been requested to develop their own workflow documents and the implementation will be monitored during the 2018/19 financial year. ”

6. ANNEXURE A

TECHNICAL INDICATOR DESCRIPTIONS THAT WERE ENHANCED DURING THE REPORTING PERIOD

Programme 1: Administration

Strategic Objective 1: Improve Financial Management



Programme Performance Indicator		Annual Target	Quarterly Targets			
		2017/18	1st	2nd	3rd	4th
OLD	Percentage return on investment by 31 March 2018	CPI by 31 March 2018	CPI by 30 June 2017	CPI by 30 September 2017	CPI by 31 December 2017	CPI by 31 March 2018
Enhanced	Percentage return on investment by 31 March 2018	CPI by 31 March 2018	CPI/4 by 30 June 2017	CPI/2 by 30 September 2017	CPI *3/4 by 31 December 2017	CPI by 31 March 2018

Programme 3: Labour Activation Programme

Strategic Objective 4: Fund Poverty Alleviation Schemes



Programme Performance Indicator		Annual Target	Quarterly Targets			
		2017/18	1st	2nd	3rd	4th
OLD	Turnaround time to approve or reject funding after receipt of complete information.	Within 20 working days	Within 20 working days	Within 20 working days	Within 20 working days	Within 20 working days
Enhanced	Turnaround time to approve or reject funding after receipt of complete information.	100% Within 20 working days	100% Within 20 working days	100% Within 20 working days	100% Within 20 working days	100% Within 20 working days
OLD	Turnaround time to transfer funds to partners after receipt of accurate invoice.	Within 10 working days	Within 10 working days	Within 10 working days	Within 10 working days	Within 10 working days
Enhanced	Turnaround time to transfer funds to partners after receipt of accurate invoice	100% Within 10 working days	100% Within 10 working days	100% Within 10 working days	100% Within 10 working days	100% Within 10 working days

Old Baseline

Programme Performance Indicator	Audited/Actual Performance			Estimated Performance	Medium Term Targets		
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Percentage of valid claims (Unemployment benefit) with complete information approved.	86% (655 882)	90% (654 053)	84% (608 347)	90% within 5 weeks by March 2017	90% within 15 working days by March 2018	90% within 10 working days by March 2019	90% within 10 working days by March 2020

New Baseline

This indicator was considered to be a new indicator as it is a variation of the indicator that was reported on, in the 2016/17 financial year.

Programme Performance Indicator	Audited/Actual Performance			Estimated Performance	Medium Term Targets		
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Percentage of valid claims (Unemployment benefit) with complete information approved.	N/A	N/A	N/A	N/A	90% within 15 working days by March 2018	90% within 10 working days by March 2019	90% within 10 working days by March 2020

Old baseline

Programme Performance Indicator	Audited/Actual Performance			Estimated Performance	Medium Term Targets		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Percentage increase in Revenue per year.	11.8% March 2013: R13,687 m March 2014: R15, 309 m	5.5% March 2014: R15, 309 m March 2015: R16 198m	6% March 2015: R16, 147 m March 2016: R17 120m	7.5% (R17 358 m) by March 2017	7.2% by March 2018	6.9% by March 2019	6% by March 2020

New Baseline

The estimated performance was recorded as 7.5% (R17 358) by March 2017 instead of 7.5% (R17 358m) by March 2017

Programme Performance Indicator	Audited/Actual Performance			Estimated Performance	Medium Term Targets		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Percentage increase in Revenue per year.	11.8% March 2013: R13,687 m March 2014: R15, 309 m	5.5% March 2014: R15, 309 m March 2015: R16 198m	6% March 2015: R16, 147 m March 2016: R17 120 m	7.2% (R17 358 m) by March 2017	6.9% by March 2018	6% by March 2019	5% by March 2020

Enhancement of technical indicator description

Programme1: Administration

	Old description	Enhanced
Indicator title	Percentage return on investment	
Method of calculation	Cumulated listed investment in portfolio less receipt from UIF less portfolio as at 01 April 2017 divided by portfolio as at 01 April 2017 multiplied by 100.	Listed Portfolio (Listed on the exchange) as at last day of the current month less Listed Portfolio as at the beginning of the current financial year divided by the Listed Portfolio as at the beginning of the current financial year multiplied by 100.
Desired performance	Increase returns from the Fund's investment.	Return on investments equal to at least CPI by March 2018.

Programme 2: Business operations

	Old description	Enhanced
Indicator title	Percentage of new companies with complete information issued with registration certificate.	
Short definition	Percentage of new companies issued with registration certificate processed within 2 working days (excluding weekends and public holidays).	Percentage of new companies with complete information registered (created) within 2 working days of receipt. A registration certificate (UI 54) bearing the unique registration number will be generated.
Purpose/ importance	Track the processing of registrations after receipt of documents.	Track the turnaround time of the capturing of registration documents (UI 8 or UI 8 D) within 2 working days of receipt by the Registration unit on the Siyaya system.

Programme 2: Business operations (Continued)

	Old description	Enhanced
Evidence to be submitted	Siyaya Operating system and excel spread-sheet.	MS Excel spread sheet of the registered companies (Data extracted from Siyaya database).
Source/collection of data	The registration document receipt date is matched against the capture date and recorded. The Number of registrations within two day is divided into total registrations and the quotient is multiplied by 100.	Siyaya Database.
Method of calculation	The number of registrations captured within two working day (excluding weekends and public holidays) divided by the total registrations captured multiplied by 100.	The receipt date is indicated by a block stamp or date stamp on the UI 8 or UI 8D and this date is compared against the created date on Siyaya. The number of registrations created within 2 working days divided by the total number of registrations created multiplied by 100 within a calendar month.

	Old description	Enhanced
Indicator title	Percentage of payment documents processed after receipt.	
Evidence to be submitted	Siyaya Operating system and excel spread-sheet.	MS Excel spread sheet of the captured payment documents (Data extracted from Siyaya database).
Method of calculation	The payment documents receipt date is matched against the capture date and recorded. The Number of payments documents processed within seven working days (excluding weekends and public holidays) are divided by total number of payment documents received for the period and the quotient is multiplied by 100(total payments documents, excludes documents for first payments and re-issues).	The receipt date is indicated by a block stamp or date stamp on the payment continuation form (UI- 6A) and this date is compared against the created date on Siyaya. The number of payments created within 7 working days of receipt divided by the total number of payments created and multiplied by 100. (Total payments documents exclude documents for first payments and re-issues).

	Old description	Enhancement
Indicator title	Percentage of valid claims (Unemployment) benefit with complete information approved or rejected.	
Evidence to be submitted	SIYAYA system report and excel spread-sheet.	MS Excel spread sheet. Data extracted from Siyaya database.

	Old description	Enhancement
Indicator title	Percentage of valid claims (In-service benefits; Maternity, illness and adoption benefits) with complete information approved or rejected.	
Evidence to be submitted	SIYAYA system report and excel spread-sheet.	MS Excel spread sheet. Data extracted from Siyaya database.

Programme 2: Business operations (Continued)

	Old description	Enhancement
Indicator title	Percentage of valid claims (Deceased benefit) with complete information approved or rejected.	
Evidence to be submitted	SIYAYA system report and excel spread-sheet.	MS Excel spread sheet..Data extracted from Siyaya database.

	Old description	Enhancement
Indicator title	Percentage of payment documents processed after receipt.	
Evidence to be submitted	Siyaya Operating system.	MS Excel spread sheet. . Data extracted from Siyaya database.

	Old description	Enhancement
Indicator title	Number of newly registered employers per year.	
Evidence to be submitted	SIYAYA System.	MS Excel spread sheet.

Programme 3: Labour Activation Programmes

	Old description	Enhancement
Indicator title	Turnaround time to approve or reject funding after receipt of complete information.	
Short definition	The number of working days (excluding weekends and public holidays) taken to approve or reject funding after receipt of complete information. Complete information means submission of documents as per MOU and checklist where applicable. This involves the compilation of a due diligence report that determine funding decision. Due diligence means requirements as per the MOU and the checklist.	The indicator measures the number of requests for funding that were approved or rejected within 20 working days of receipt of complete information to the support/rejection of the request for funding by the Commissioner or his delegate. Complete information refers to the point where the committee rejects or supports the request.
Purpose/importance	Tracks the implementation of the projects as per the MOU.	The approval of funding is intended to enhance UIF beneficiary's employability and preserve jobs.
Evidence to be submitted	Due diligence report signed by the Chief Director.	Signed submission by the Commissioner/his delegate.
Source/collection of data	Deliverables on the MOU and the checklist.	Minutes of the committee meeting and the copy of a signed submission requesting approval/rejection.

Programme 3: Labour Activation Programmes (Continued)

	Old description	Enhancement
Method of calculation	Count the number of days taken (excluding weekends and public holidays) to approve or reject funding after receipt of complete information.	The number of funding with complete information approved or rejected within 20 working days divided by the total funding with complete information multiplied by 100. Counting of 20 working days starts when the committee supports/rejects a request to the signature of the Commissioner or his delegate.
Data limitations	Late or non-submission of source documents.	Incomplete or outdated information from relevant stakeholders.
Desired performance	Funding decision made within 20 working days.	80% of funding approved or rejected by the delegated authority within 20 working days.
Indicator responsibility	Chief Director: Labour Activation Programme.	

	Old description	Enhancement
Indicator title	Turnaround time to transfer funds to partners after receipt of accurate invoice.	
Short definition	The number of working days (excluding weekends and public holidays) taken to transfer funds after receipt of accurate invoice. Accurate means invoice claimed in accordance with the MOU.	The number of working days taken to transfer funds after receipt of accurate invoice. Accurate invoice means invoice claimed in accordance with the signed MOA and its verified deliverables (TOU AND TLS Payment schedule/tranche list) (TAS checklist.)
Purpose/importance	Tracks number of days it takes to transfer funds to the partners after receipt of invoice.	Tracks percentage and number of days it takes to pay partners after receipt of accurate invoices.
Evidence to be submitted	Proof of payment.	List of all transfers processed. Accurate invoice and proof of payments.
Method of calculation	Count the number of days taken (excluding weekends and public holidays) to transfer funds after receipt of invoice.	Number of accurate invoices paid within 10 working days divided by the total number of accurate invoices received multiplied by 100. Counting starts from the date of confirmation of deliverables to the date of payment of invoices.

7. SUMMARY OF FINANCIAL INFORMATION

7.1 Summary of expenditure

a) Summary of expenditure

Item	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under Expenditure	Budget	Actual	(Over)/Under Expenditure
	R'000	Expenditure	R'000	R'000	Expenditure	R'000
		R'000			R'000	
Benefits payments	10 282 977	9 227 370	1 055 607	8 313 414	8 478 357	-164 943
Labour Activation Programmes (Schemes)	889 466	48 673	840 793	706 000	145 478	560 522
Administration	3 283 091	2 124 398	1 158 693	2 576 028	2 040 938	535 090
Total	14 455 534	11 400 441	3 055 093	11 595 442	10 664 773	930 669

b) Summary of income

Item	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000	Revenue	R'000	R'000	Revenue	R'000
		R'000			R'000	
Revenue collected	20 050 163	18 740 065	1 310 098	17 979 407	18 256 811	-277 404
Total	20 050 163	18 740 065	1 310 098	17 979 407	18 256 811	-277 404

c) Summary of other income

Item	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000	Income	R'000	R'000	Income	R'000
		R'000			R'000	
Other income	1 967	22 169	-20 202	2 424	7 657	-5 233
Investment revenue	10 451 287	9 446 020	1 005 267	8 936 086	9 199 601	-263 515
Fair value adjustment	0	3 859 251	-3 859 251	0	2 610 167	-2 610 167
Total	10 453 254	13 327 440	-2 874 186	8 938 510	11 817 425	-2 878 915

d) Summary of change in reserves

Item	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under Expenditure	Budget	Actual	(Over)/Under Expenditure
	R'000	Change	R'000	R'000	Change	R'000
		R'000			R'000	
Change in benefits payable	-464 623	-7 157 242	6 692 619	-253 153	-968 450	715 297
Change in Unearned premium reserve	-2 389 071	-2 625 121	236 050	-1 184 989	-1 499 766	314 777
Total	-2 853 694	-9 782 363	6 928 669	-1 438 142	-2 468 216	1 030 074

7.2 Summary of financial Information

Summary of income, expenses and reserves

Item	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000	R'000	R'000	R'000	R'000	R'000
Total revenue	30 503 417	28 208 255	2 295 162	26 917 916	27 464 069	-546 153
Administration expenditure	-3 283 091	-2 123 948	-1 159 143	-2 576 028	-2 040 938	-535 090
Benefit expenditure	-10 282 977	-9 227 370	-1 055 607	-8 313 414	-8 478 357	164 943
Unemployment poverty alleviating schemes	-889 466	-48 673	-840 793	-706 000	-145 478	-560 522
Outstanding claims reserves	-464 623	-7 157 242	6 692 619	-253 153	-968 450	715 297
Unearned premium reserve	-2 389 071	-2 625 121	236 050	-1 184 989	-1 499 765	314 776
Fair value adjustment	-	3 859 251	-3 859 251	-	-2 610 167	2 610 167
Impairment of buildings	-	-450	450	-	-8 123	8 123
Net Surplus for the year	13 194 189	10 884 702	2 309 487	13 884 332	11 712 791	2 171 541

Linking Performance with Budget

The overall performance of the Fund from 01 April to 31 March 2018 is at 58%, and 65% of the budget was spent for the financial year 01 April 2017.

Programme 01 - Administration

	2017/2018			2016/2017		
	Budget	Actual	(Over)/Under	Budget	Actual	(Over)/Under
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 01 - Administration						
Improve Financial Management	1 623 301	795 401	827 900	1 206 154	803 285	394 801
Total	1 623 301	795 401	827 900	1 206 154	803 285	394 801

The purpose of the programme is to provide management, strategic and administrative support services to the Fund. To carry out this objective Programme 1 spent 49% of its budget for the financial year 2017/18 and achieved 100% of the set targets.

Programme 02 - Business Operations

	2017/2018			2016/2017		
Programme 02 - Business Operations						
Improve compliance	430 571	328 162	102 409	375 935	318 038	57 897
Improve service delivery	1 226 095	999 496	226 599	990 348	918 455	71 893
Total	1 656 666	1 327 658	329 008	1 366 283	1 236 493	129 790

The purpose of the programme is to collect contributions and pay benefits. To carry out this objective Programme 02 spent 80% of its budget for the financial year 2017/18 and achieved 43% of the set targets.

Programme 03 - Fund poverty alleviation schemes

	2017/2018			2016/2017		
Programme 03 - Fund poverty alleviation schemes						
Labour Activation Programmes	3 124	1 339	1 785	3 591	1 159	2 432
Total	3 124	1 339	1 785	3 591	1 159	2 432
Total Administrative budget	3 283 091	2 124 398	1 158 693	2 576 028	2 040 937	527 023

The purpose of the programme is to provide labour market programmes. To carry out this objective Programme 3 spent 43% of its budget for the financial year 2017/18 and achieved 50% of the set targets. The programme is also mandated to Fund Labour Activation schemes. The transfers made to entities responsible for implementation of Labour Activation Programmes were 5% of the budget.

Revenue	
6.53% less revenue collected than the budgeted amount. The budget for revenue is based on a revenue indicator developed for the Fund, which utilises a combination of projected CPI and GDP to determine the likely rate of growth in the revenue of the Fund. Based on this revenue indicator, revenue projected was slightly more than the actual amount collected during the 2017/18 financial year.	1 310 097
Benefit Payment	
The budget was compiled based on the expected economic conditions and past events in South Africa. The unemployment rate increased at a lower rate than expected during the 2017/18 year. The average unemployment rate for 2017/18 was 27.45, 0.72% which was higher than the average unemployment rate of 26.73% in 2016/17.	1 055 607
Unemployment alleviation schemes	
The Unemployment Alleviation Schemes budget took into consideration projects in the implementation phase and projects that were on hold but due for implementation in the 2017/2018 financial year. The above estimation included the budget for anticipated projects to be acquired through Expression of Interest. A total amount of R889 million was budgeted for the year under review. R689 million was budgeted towards the Training of the Unemployed because of the anticipated increase in the funding of new training projects. However, the delays on the finalisation of the evaluation process and inadequate supporting documents submitted by service providers for payment has led to 94% under-expenditure of the budgeted amount. R200 million was budgeted for expenditure on the Training Layoff Scheme and the Social Fund (Turnaround Solution). The Fund reviewed the Labour Activation Programme (LAP) validation processes and implemented additional controls during financial year under review. The changes effected stricter measures on the approval of applications relating to the Training Lay-off Schemes (TLS) and Turnaround Solutions (TAS) funding. This led to only 10% being spent under this scheme based on validated applications that adhere to the control measures put in place.	840 793
Other Income	
An increase in digital lines resulted to an increase in staff compliment and office space. Therefore rent is due to increase. Recovery of overpayments written off was not budgeted for because it formed part of normal overpayments recoveries. A split which separates normal recoveries from those received from debts written off was done. The Cash surplus account contains untraceable deposits which are under investigation. Insurance Claim Settlements account was not budget for however the amount received was due to insurance settlements towards lost items claimed for. This account contains a once of payment received (settlement) for a property that was sold in the Eastern Cape – Alice.	20 202
Auditors remuneration	
36.88% less than budget. As at the end of the financial year, the Fund had paid invoices relating to the finalisation of the 2016/17 audit. During the conclusion of the financial year 2017/18 the audit was still in process and not concluded due to timelines set by the PFMA to submit annual financial statements	4 757
Administrative Costs	
33.89% saved against the following main budget items:	
Stationery and Printing: Cost containment measures implemented to comply with the circular issued by National Treasury.	15 821
Venues and Facilities: The Fund continues to consider the cost-effective options when hosting events and meetings to comply with cost containment measures.	4 380

Entertainment/Catering: The Fund continues to consider the cost-effective options when hosting events and meetings to comply with cost containment measures.	4 332
Advertising: Cost containment measures to comply with the circular issued by National Treasury.	20 865
External IT services: Specialised external system maintenance and support, SITA services and software licences expenditure were less than the amount budgeted for. The SAP maintenance and support and queue management are some ICT projects not finalised during the current year.	82 329
SARS commission: budget is based on the higher contributions revenue anticipated as projected by the Fund's actuaries.	45 519
Depreciation, Amortization and Impairment	135 271
Depreciation is 73.77% less than the budget amount due to the capital ICT projects which were not finalised during the financial year under review, with specific reference to the infrastructure upgrade in labour centres, end user devices and SAP implementation release 2 and the maintenance of the data centre. The Fund re-assesses the useful life of assets on an annual basis in line with GRAP 17. In addition there were impairments realised on the Sunnyside and 94 WF Nkomo building during the current financial year.	
Employee Cost	
22.18% saving against the following main budget items:	333 221
Saving against the following main budget items: The Unemployment Insurance Fund is reflecting a 22.18% underspending on employee cost in comparison to the budget. The Fund observes the compensation budget limits as directed by National Treasury to curb the wage bill. The Fund will continue to focus on service delivery focal points (labour centres).	
Operating Expenses	445 954
46.80% saving against the following main budgeted items:	
Management and investment fees. As from 1 February 2016 the Fund increased its Strategic Asset Allocation (SAA) towards Social Responsible Investments (SRI) from 10% of the Total Value of the Portfolio to 20% of the Total Value of the Portfolio. When the budget was calculated, implementation cost of the new mandate was estimated higher due to the fact that initial Commitment Capital fees of new instruments are substantially higher than subsequent management fees. Trading activity in the Portfolio also decreased due to unfavourable market conditions	267 497
Consumables: Cost containment measures to comply with the circular issued by National Treasury.	3 398
Communications: cell phones, telephone, postage. Cost containment measures to comply with the circular issued by National Treasury.	15 206
Travel and Subsistence: The Fund is complying with National Treasury Instructions issued in 2016/17 financial to reduce spending on travelling.	32 353
Investment Revenue	
10.25% more investment income received than budget.	263 516
The South African economy remained in turmoil during the 2017/18 financial year which resulted in the Fund implementing a conservative budget approach. Although the portfolio return underperformed the SWIX Benchmark by -0.38% for 12 months and the Fund implemented hedge positions to mitigate the Equity Portfolio's current concentration risk exposure to Naspers, the investment revenue managed to outperform the budget.	1 071 347

8. OFFICIAL SIGN-OFF

It is hereby certified that this ANNUAL PERFORMANCE REPORT 2017/18:

Was developed by the management of the Unemployment Insurance Fund under the guidance of, Mr. T Maruping.

Was prepared in line with the current Strategic Plan and Annual Performance Plan (APP) of the Unemployment Insurance Fund (UIF).

Was prepared in line with the current annual performance targets as reflected in the APP of the Unemployment Insurance Fund.

Accurately reflects the performance of the UIF during the fourth quarter of the 2017-2018 financial year.



T. Maruping

Unemployment Insurance Commissioner

Date:



T Lamati

Director General of Labour

Date:

PART C | GOVERNANCE



1. GOVERNANCE

1.1 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 run in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

1.2 Portfolio Committees

During the 2017/18 financial year, the UIF was requested to appear 12 times before the Portfolio Committee on Labour.

1.3 Executive Authority

The three year term of the previous Board came to an end on 31st October 2017. The Minister of Labour, through NEDLAC (social partners) nominations appointed eight new members and reappointed three members for continuity in the new term of the Board with effect from 1st November 2017, to advise her on issues related to operations of the UIF as a social security instrument. One member representing the State did not accept re-appointment and the Fund is still in the process of appointing two members representing the State (in terms of section 49 (2) of the UIAct, 2001 each constituency must be represented by 3 members on the Board). Currently the Board is constituted with 10 members and a Chairperson. Board orientation and development of members were conducted on a continuous basis.

During the term of the outgoing and current Board, reports of the Board were submitted to the Minister and the UIF Board Chairperson met frequently with the Minister to discuss the functioning of the UIF and its progress in implementing the approved Five Year Strategic Plan of the UIF. The main theme of the meetings was around the UIF's contribution to job creation (Labour Activation Programmes) and governance issues.

The UIF outgoing and current Board have reaffirmed their commitment towards assisting the Minister of Labour to reach her job creation goals. Efforts will be made in the coming financial year to resuscitate the joint working committee of the Unemployment Insurance Board and Compensation Fund Board to finalise the proposed governance model for the Department of Labour Entities. A report with recommendations will be presented to the Minister of Labour.

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

- The 2018/19 MTEF Budget submitted on 17 October 2017; and
- The 2018/19 Annual Performance Plan submitted on 05 February 2018.

1.4 The Accounting Authority

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

1.5 The Advisory Board

In terms of section 47 of the Unemployment Insurance Act, the Minister of Labour must establish the Unemployment Insurance Board. The UI Board has participated in the Minister's job fairs and Imbizos to fully understand unemployment issues and to advise the Minister accordingly.

1.5.1 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;
- 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.

1.5.2 Board Charter

The Board Charter outlines the main corporate governance practices that are in place for the Unemployment Insurance Board and to which the Board, committees and management collectively are committed. The conduct of the Board is also governed by the Constitution. The Charter sets out the role, responsibilities, structures and processes of the Board of the Unemployment Insurance Fund.

Governance processes are continuously improving, with the Board Charters and the Board Constitution setting out responsibilities implemented and adhered to in order to achieve the highest standards of corporate governance. The Board has met more than four (4) times during the financial year: four (4) scheduled Board meetings, and two (2) special meetings and one (1) workshop in an effort to deliver on their mandate.

The Board- and Committee Charters have ensured that the Committees are compliant with the Unemployment Insurance Act and Board Constitution. The main objective of the Board Governance and Compliance functions was to assist the Board and its Committees in adopting the most appropriate governance standards for the Fund.

The Minister of Labour re-appointed the chairperson of the Board with effect from 1 February 2016 for a period of three (3) years in accordance with the composition of the Board.



“ Governance processes are continuously improving, with the Board Charters and the Board Constitution setting out responsibilities implemented and adhered to in order to achieve the highest standards of corporate governance.”

Board members (01.11.2014 – 31.10.2017)
Meetings attended April 2017 to September 2017

Name	Designation	Date Appointed	Date Term ended	Qualifications	Area of Expertise	Board meeting	Investment Committee	FAC	NAC	No of Meetings Attended
Mr W Nzimande	Chairperson	24 February 2016	N/A	B Admin	Management and leadership	04	N/A	N/A	N/A	04
Mr T Franks	Board Member	01 November 2014	31 October 2018	Legal Labour Law Certificate IMMSA Arbitration Certificate CCMA Certificate HRM Certificate Project Management Training	N/A	04	N/A	N/A	N/A	04
Mr NM Vermeulen	Board Member	01 November 2014	N/A	B.Social. Science & Bcom (Hon)	Financial and Business Administration	04	N/A	02	N/A	06
Mr A Crawford	Board Member	01 November 2014	N/A	BCom (Hon), CFPR Post Graduate Certificate in Social Security and Pensions	Social security and pension	02	02	N/A	N/A	04
Mr G Strauss	Board Member	01 November 2014	N/A	Certificates CCMA, Financials and Financial Accounting	Financial Management; Law, Accounting	05	02	02	N/A	09
Mr J Mahlangu	Board Member	01 November 2014	N/A	N/A	N/A	03	02	01	01	07
Adv E Nwedo	Board Member	01 November 2014	N/A	Masters in Labour Law and Employment Relations. Awarded a Merit Bursary for Academic Excellence. Magister Philosophiae (M. Phil)	N/A	04	N/A	02	01	07
Mr D Mthlane	Board Member	01 November 2014	N/A	N/A	Experience in management, evaluation and knowledge management, monitoring and evaluation, and Good analytical skills and knowledge in planning; strong financial accounting and management.	03	02	N/A		05
Mr N Nxele	Board Member	01 November 2014	N/A	National Diploma Taxation B Comm Accounting	Financial management, Taxation	03	01	00		04

Name	Designation	Date Appointed	Date Term ended	Qualifications	Area of Expertise	Board meeting	Investment Committee	FAC	NAC	No of Meetings Attended
Ms L Kganyago	Board Member	01 November 2014	N/A	Project Man	Community Development Programmes & Training	04	N/A	02	00	06
Mr T Tshefuta	Board Member	01 November 2014	N/A	B.A. (Public Administration and Politics)	Public Administration, Political Science, Economics, Industrial & Organizational Psychology, Business Management, Sociology,	03	01	02	N/A	06
Mr M Macikama	Board Member	01 November 2014	N/A	Higher Diploma in Tax Law (H. Dip. Tax) B.Com. (Accounting)		01	00	02	N/A	03
Mr T Maruping	UIC/Board Member	01 November 2017	N/A	Masters in Information and Knowledge Management.	Business Analysis Operational Analysis Metrics design Operations and Programme management. Business Process Innovation and Improvement. Research and Knowledge Management. Innovation Value Creation Business Intelligence Organizational Excellence Lean Six Sigma and Lean Manufacturing Business Scorecard development Mentoring and Coaching Job Interview preparation	03	02	02	N/A	07
Mr D Hlatshwayo	Audit Committee Chairperson	5 March 2015	22 August 2017	CD (SA), CA (SA) MBA, CTA,B Compt (Hons)	N/A	02	N/A	N/A	N/A	02

Board members (01.11.2017 – 31.10.2020)
Meetings attended November 2017 to March 2018

Name	Designation	Date Appointed	Qualifications	Area of Expertise	Board meeting	IC	FAC	LAP	NAC	No of Meetings Attended
Mr W Nzimande	Chairperson	24 February 2016	B Admin	Management and leadership	03	N/A	N/A	N/A	N/A	03
Mr M Mchunu	Board Member	01 November 2017	Admitted Attorney of the High Court of South Africa. Bachelors in Law (LLB LAW UKZN)	N/A	03	01	01	01		06
Mr M Matshani	Board Member	01 November 2017	N/A	N/A	02	N/A	01	01	00	04
Adv E Nwedo	Board Member	01 November 2017	BCom (Hon), CFPR Post Graduate Certificate in Social Security and Pensions	Social security and pension	03	01	N/A	N/A	00	04
Mr J Mahlangu	Board Member	01 November 2017	Certificates CCMA, Financials and Financial Accounting	Financial Management, Law, Accounting	02	00	01	00	00	03
Mr T Franks	Board Member	01 November 2017	Legal Labour Law Certificate IMMSA Arbitration Certificate CCMA Certificate HRM Certificate Project Management Training	Mr T Franks	03	N/A	01	N/A		04
Mr D Maphoto	Board member	01 November 2017	N/A	N/A	03	01	N/A	01	00	05
Mr D Mthlane	Board Member	01 November 2017	N/A	Experience in management, evaluation and knowledge management, monitoring and evaluation, and Good analytical skills and knowledge in planning; strong financial accounting and management.	01	01	01	N/A	00	03
Ms L Kganyago	Board Member	01 November 2017	Project Management	Community Dev. Programmes & Training	03	N/A	01	01	N/A	05

Name	Designation	Date Appointed	Qualifications	Area of Expertise	Board meeting	IC	FAC	LAP	NAC	No of Meetings Attended
Mr T Tshefuta	Board Member	01 November 2017	B.A. (Public Administration and Politics)	Public Administration, Political Science, Economics, Industrial & Organizational Psychology, Business Management, Sociology	03	01	N/A	01	N/A	05
Mr M Macikama	Board Member	01 November 2017	Higher Diploma in Tax Law (H. Dip. Tax) B. Comm: Accounting		02	01	01	01		05
Mr T Maruping	Board Member	01 November 2017	Masters in Information and Knowledge Management, University of Stellenbosch, 2012.	Business Analysis Operational Analysis Metrics design Operations and Programme management Business Process Innovation and Improvement Research and Knowledge Management Innovation Value Creation Business Intelligence Organizational Excellence Lean Six Sigma and Lean Manufacturing Business Scorecard development Mentoring and Coaching Job Interview preparation	02	01	00	01	N/A	04
Ms D Botha	Acting Audit Committee Chairperson		Certified Internal Auditor Certification in Risk Management Assurance Executive MBA Executive Development Programme Certified Information System Auditor Higher Diploma in Computer Auditing Bachelor of Theology (Hons)	ICT and Auditing	03	N/A	N/A	N/A	N/A	03

1.6 Board Committees

The Board continued to demonstrate its support and commitment to the Enterprise Risk Management (ERM); investments, audit and financials and recognise the importance of a strong control environment in managing risks, compliance, improving performance, enhancing governance, and strengthening the institutional capacity.

The Board and management's persistent and concerted effort to have a strong control environment have provided growing evidence that the culture of control is taking root as evidenced by the sustained improvement in the internal control environment, particularly financial controls.

The Unemployment Insurance Board has established 4 committees that will advise the Board on specific matters related to the work of that committee. The committees established by the Board are:

Financial Advisory Committee (FAC)

The committee provides oversight on financial management of the UIF and considers all financial reports to be presented to the Board and makes recommendations to both the Board and management.

Investment Committee (IC)

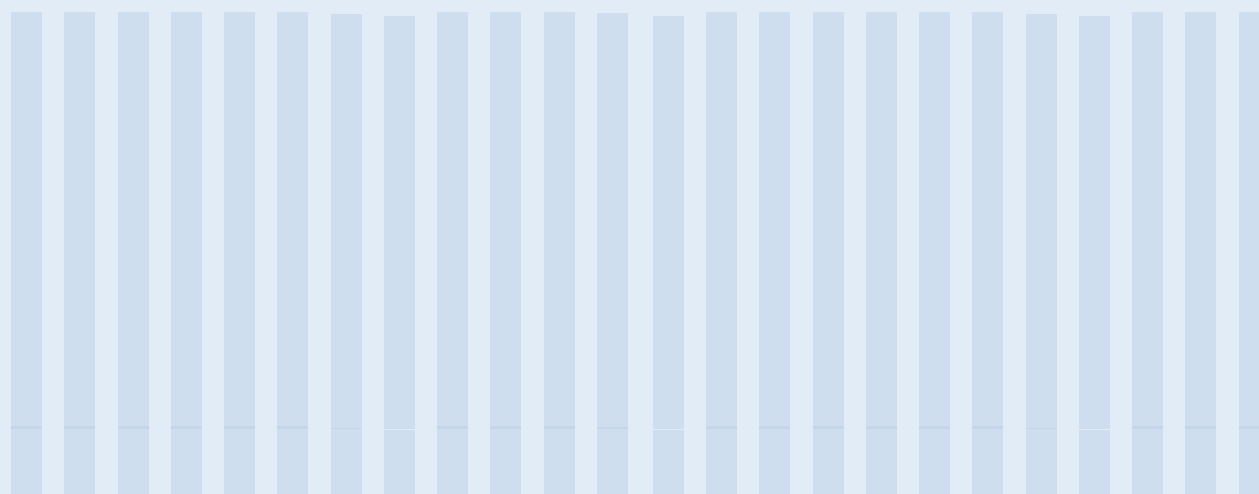
The committee provides oversight on investment management of the UIF and considers all investment performance and management reports to be presented to the Board and makes recommendations to both the Board and management.





Labour Activation Programme Committee (LAPC)

This is a new Committee established during 2017 with its mandate being to provide guidance and oversight over Labour Activation Programme and projects. It considers programme performance, all projects and activities and makes recommendations to the Board and management.





National Appeals Committee (NAC)

The committee considers appeals of aggrieved beneficiaries with regards to the refusal of their claims applications. One NAC meeting was held. They are supported by Regional Appeals Committees (RAC) set up in the provincial offices. Nine RAC meetings were held. In addition to these committees, the UIF Board also has members representing the Board in the Audit and Risk Committee of the UIF.



 Committee	 No. of meetings held	 No. of members	 Name of members
FAC	02	09	Mr J Mahlangu Mr G Strauss Mr E Nwedo Mr N Vermeulen Mr TT Tshfuta Ms L Kganyago Mr M Macikama Mr N Nxele Mr T Maruping
Investment Committee	03	08	Mr J Mahlangu Mr G Strauss Mr A Crawford Mr TT Tshfuta Mr PSD Mthlane Mr Mvuyisi Macikama Mr N Nxele Mr T Maruping
Board	05	14	Mr W Nzimande Mr D Hlatshwayo Mr T Franks Mr J Mahlangu Mr G Strauss Adv. E Nwedo Mr N Vermeulen Mr A Crawford Mr TT Tshfuta Ms L Kganyago Mr D Mthlane Mr M Macikama Mr N Nxele Mr T Maruping
National Appeals	01	03	Mr J Mahlangu Ms L Kganyago Adv E Nwedo
LAP Committee	01	03	Adv Nwedo Mr Macikama Mr Mahlangu
Audit Committee	08	07	Mr D Hlatshwayo Mr NMW Vermeulen Mr G Strauss Ms D Botha Dr P Dala Mr M Macikama Mr T Tshfuta

Committee members on the new Board:

 Committee	 No. of meetings held	 No. of members	 Name of members
FAC	01	07	Mr M Mchunu Adv M Matshani Mr J Mahlangu Mr T Franks Ms L Kganyago Mr D Mthlane Mr M Macikama
Investment Committee	01	07	Adv E Nwedo Mr M Mchunu Mr J Mahlangu Mr D Maphoto Mr T Tshefuta Mr D Mthlane Mr M Macikama
Board	02	11	Mr W Nzimande Mr J Mahlangu Mr T Franks Mr D Maphoto Mr M Mchunu Adv M Matshani Adv E Nwedo Mr D Mthlane Ms L Kganyago Mr T Tshefuta Mr M Macikama
National Appeals	00	05	Adv E Nwedo Adv M Matshani Mr J Mahlangu Mr D Maphoto Mr D Mthlane
LAP Committee	01	07	Mr M Mchunu Adv M Matshani Mr J Mahlangu Mr D Maphoto Ms L Kganyago Mr T Tshefuta Mr M Macikama
Audit Committee	01	04	Ms D Botha Dr P Dala Adv E Nwedo Ms L Kganyago

5.4 Remuneration of Board members

A member of the Board or its committees who is not in the full-time employment of the State shall be paid remuneration and allowances determined by the Minister in terms of the Treasury Instructions issued by the National Treasury. Remuneration of Board members is determined in terms of Section 52 of the Unemployment Insurance Act (No 63 of 2001) and the Minister of Labour has determined the category classification.

Non-Executive Board Member (past and present) fees

Number	Board Members	2018			2017		
		Fees for services	Expense allowances	Total	Fees for services	Expense allowances	Total
1	Crawford A	R 24 064.74	R 2 301.97	R 26 366.71	R 32 589.00	R 3 272.09	R 35 861.09
2	Franks A	-	-	-	R 3 408.00	R 146.72	R 3 554.72
3	Kganyago L	R 56 289.00	R 30.00	R 56 319.00	R 38 127.00	R 1 133.48	R 39 260.48
4	Mahlangu J	R 21 312.78	R 3 067.46	R 24 380.24	R 24 330.28	R 4 846.58	R 29 176.86
5	Mthlane D	R 34 007.58	R 30 187.70	R 64 195.28	R 51 120.00	R 38 308.43	R 89 428.43
6	Nwendo NR	R 66 832.50	R 6 834.76	R 73 667.26	R 57 510.00	R 6 925.68	R 64 435.68
7	Nzimande WM	R 58 069.50	-	R 58 069.50	R 50 424.00	-	R 50 424.00
8	Strauss GH	R 133 693.80	R 59 926.20	R 193 620.00	R 150 294.00	R 58 465.75	R 208 759.75
9	Tshefuta T	R 66 941.00	R 91 046.15	R 157 987.15	R 54 528.00	R 60 036.20	R 114 564.20
10	Maphotho D	R 15 549.00	R 1 052.92	R 16 601.92	-	-	-
11	Matshani M	R 13 632.00	R 1 601.75	R 15 233.75	-	-	-
12	Mchunu M	R 15 123.00	R 684.02	R 15 807.02	-	-	-
13	Vermeulen NMW	R 90 893.58	R 3 792.74	R 94 686.32	R 123 102.42	R 4 053.24	R 127 155.66
Audit Committee							
	Botha D	R 214 985.85	R 1 492.18	R 216 478.03	R 58 164.00	R 347.02	R 58 511.02
	Hlatshwayo D	R 200 851.40	R 4 667.71	R 205 519.11	R 372 842.50	R 8 354.52	R 381 197.02
	Dala P	R 167 888.88	R 3 177.94	R 171 066.82	-	-	-
Total		R 583 726.13	R 9 337.83	R 593 063.96	R 431 006.50	R 8 701.54	R 439 708.04

2. RISK MANAGEMENT

2.1 Introduction

The purpose of this report is to provide the Audit and Risk Committee and the Unemployment Insurance Commissioner with the performance of the risk management directorate for the financial year 2017/18.

2.2 Risk Governance

The purpose of Risk Governance is to provide the Minister, Deputy Minister, the Director General and the executive Committee (DEXCOM) of the Department of Labour (DoL) with the progress of the work performed by the Risk Management Committee of the Department for the year 2017/18.

The UIF Board has promoted the risk culture and has set the tone at the top. The Board in discharging its risk management responsibilities, it is supported by the Financial Advisory Committee and Audit and Risk Committee, to ensure that the Fund has implemented an effective Risk Management Policy and the Risk Management Strategy.

The Board has furthermore, demonstrated its governance oversight role by ensuring full implementation of the risk management strategy in relation to the strategic risk profile of the Unemployment Insurance Fund.

2.4 Key Objectives of Risk Management

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

Section 51(1)(a)(i) of the Public Finance Management Act (Act 1 of 1999 amended by Act 29 of 1999), requires that "An Accounting Authority for the public entity must ensure that the public entity has and maintains effective, efficient and transparent systems of financial and risk management and internal controls".

2.3 Risk Committee

The Risk Management of the department consist of both internal and external members and are chaired by an independent chairperson. The Chairperson of the Risk Management Committee from both the Unemployment Insurance Fund (UIF) and the Compensation Fund (CF) directly report progress on the risk management to the National Risk Committee. This is done in creating synergy across all departmental risk committees.

2.2.1 Key Objectives of Risk Management

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

Section 51(1)(a)(l) of the Public Finance Management Act (Act 1 of 1999 amended by Act 29 of 1999), requires that " An Accounting Authority for the public entity must ensure that the public entity has and maintains effective , efficient and transparent systems of financial and risk management and internal controls".

2.2.2 Minimising conflict of interest

All officials of the UIF are required to declare any business interests and remunerative work outside the public service annually. Approval to carry out remunerative work outside the public service is approved by the Executive Authority of the Fund. Senior managers are also obliged to declare their business interest, additional remunerative work, receipts of gifts and sponsorship.

Members of management who serve on procurement committees are required to declare their interests in every meeting. Members who declare a conflict of interest are excused from the proceedings when decisions are to be taken.

Supply Chain Management officials are vetted and are required to declare their interests as well as gifts obtained from service providers during the conduct of their business. The conduct of officials is guided by the Code of Conduct in the Public Service.

2.2.3 Code of conduct

The UIF adheres to the public service Code of Conduct as issued by the Department of Public Service and Administration. The code is shared with officials of the UIF and they are educated on its content.

The Department of Labour develops human resources management policies for the department and its Schedule 3A public entities, included in these are policies on discipline and grievances. When the code is breached, the relevant policy directives are followed.

3.2.4 Health safety and environmental issues

The Unemployment Insurance Fund as an employer considers its employees to be its most valuable asset and undertakes to safeguard them through providing and maintaining, as far as reasonable, a working environment that is safe and without risk to their health.

A Health and Safety Operational Risk Assessment is conducted regularly to identify risk exposures applicable to the Fund, and to assist management to identifying risk factors that have an impact on the achievement of the strategic objectives and to give a realistic perspective of material risks facing the Fund. Management commitments to address the findings have ensured a successful system of health and safety. Health and safety inspections are conducted regularly and monthly reports are consolidated and presented to management and to the Health and Safety Committee of the Fund.

3.2.5 Company /board secretary

In terms of the Unemployment Insurance Act (Act 63 of 2001) 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.

3.2.6 Scopa resolutions

There were no SCOPA resolutions adopted in financial year 2017/18.

2.5 Risk Management Strategies

Risk management involves the identification of the key risks facing the Fund and the implementation of controls to mitigate them. The Fund regularly identifies emerging risks and prioritises high-risk areas, according to the risk rating guidelines based on the impact and likelihood. High-risk areas are further analysed to identify potential root causes. This allows the Fund to better understand the context in which risks occur and identify probable areas for risk mitigation and organisational control.

Risk treatments used to mitigate the identified risks are enhanced on an on-going basis. The top management of the Fund considers the strategic risks when formulating strategic objectives. The Fund's approach towards effective risk management is underpinned by three key principles:

a. Culture

We seek to build a strong risk management culture by setting the appropriate tone at the top, promoting awareness, ownership and proactive management of key risks and promoting accountability.

b. Structure

We seek to put in place an appropriate organisational structure that promotes good corporate governance, provides for proper segregation of duties, defines clearly risk taking responsibility and promotes ownership and accountability for risk taking.

c. Process

We seek to implement robust processes and systems for effective identification, rating, mitigation, monitoring and management of risks.

Table illustrates the key risks impacting the Fund

Key Strategic Objectives	Risk Description	Mitigation controls
Improved Governance	Fraud and Corruption	The Fund has co-sourced a forensic audit partner to assist in curbing the scourge of fraud.
Improved service delivery	Non-compliance with the UI Act and UI Contributions Act.	Enforcement of compliance by the DOL inspectorate and SARS. Communication strategy is implemented to encourage compliance by employers and employees.
Improved financial management	Inadequate collection of revenue	SARS collection on behalf of the contributions. The Fund has a debt collection unit. The Fund has an approved compliance strategy.
Fund Poverty Alleviation schemes	Inadequate utilisation of Training Layoff Scheme (TLS) funding.	The Fund in collaboration with CCMA assesses companies in distress and refers them to available schemes. The Fund is continuously holding advocacy sessions to increase utilisation of Training lay Off schemes.

a. Risk Assessment and Monitoring

The Unemployment Insurance Fund risk assessment process is performed annually. The risk assessment was conducted during the first quarter (01 April 2017 – 30 June 2017) according to the Department's strategic and operational plan, sustainable monitoring process is conducted on the second quarter (01 July 2017 - 30 September 2017).

A number of project risks were identified and the risk registers were compiled and monitored on a quarterly basis. These project risks were presented on various oversight structures.

b. Effectiveness of risk management

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

c. Fraud Prevention , Detection and Investigation

Fraud Investigations unit assists the Fund by investigating potential fraud and possible criminal activities. The Fund has a Fraud Prevention Strategy/Plan. The purpose of the strategy is to:

- ✓ Create a culture which is intolerable to fraud and corruption
- ✓ Detect Fraud and Corruption
- ✓ Conduct Investigations
- ✓ Provide Resolution

The Fund has conducted a Fraud Risk Assessment under the current financial year. Areas of improvement were identified as a result risk projects were undertaken to curb the scourge of fraud. The Fund has also conducted fraud and risk awareness campaigns internally and in provincial offices including labour centres.

The table below illustrates a consolidated summary of cases reported during this financial year.

CATEGORY	CASES RECEIVED	CASES FINALISED	OUTSTANDING	PERCENTAGE
Carried Over	1	1	0	100 %
Work & Draw	1	1	0	100 %
Disputed Declaration	13	13	0	100 %
Fraud Related	20	19	1	95 %
Duplicate Banking Details	0	0	0	0%
TOTAL	35	34	1	97.15 %

During the 2017/18 financial year, the unit received 34 cases, 1 case was carried over from the previous financial year and in total 35 cases were received. A total number of 34 cases were finalised and 1 is outstanding. Overall finalisation rate of 97.15%.

2.6 Risk Governance

The UIF Board is an advisory board and the responsibilities of promoting the risk culture and monitoring risk management has been delegated to the Audit and Risk Committee. Risk and Audit committee's reports are also presented to the UIF Board and Financial Advisory Committee for inputs to ensure that the Fund has covered all the risks. The Chairperson of the Audit Committee presents his report to the National Risk Committee of the Department of the Labour. The National Risk Committee is chaired by an independent person and the accounting officer is the member to the committee.

2.7 Audit and Risk Committee

Report of the Audit and Risk Committee for the year ended 31 March 2018

Introduction

The Audit and Risk Committee is established as a statutory committee in terms of section 38 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Committee is pleased to present its report for the financial year ending 31 March 2018. This report is presented in accordance with the requirements of the Public Finance Management Act 1 of 1999 (PFMA), as amended and in line with the National Treasury Guidelines.

Audit and Risk Committee Responsibilities

The Audit and Risk Committee has independently and objectively discharged its oversight responsibilities in respect of activities and operations of the Unemployment Insurance Fund in compliance with Sections 76 and 77 of the Public Finance Management Act (PFMA). Furthermore, we have adopted appropriate formal terms of reference in an Audit and Risk Committee Charter; we have discharged all our responsibilities as contained therein and regulated our affairs in compliance with this Charter.

Committee Meetings

The UIF has a constituted Audit and Risk Committee, which should be comprised of three independent non-executive representatives and two additional members nominated by the UIF Advisory Board to serve as Audit and Risk Committee members. The Chairman resigned on 22 August 2017 and the terms of two members came to an end on 30 October 2017. Consequently, the meeting of 16 January 2018 was inquorate and therefore two members of the Board, were co-opted for the subsequent meeting. In January 2018, two new members were nominated by the Board to serve on the Committee and an additional position has been advertised for a Chartered Accountant.

The Audit and Risk Committee Charter stipulates that a minimum of four meetings must be held in a financial year. During the 2017/18 financial year 7 (seven) Audit and Risk Committee meetings were held on 29 May 2017 and continued on 30 May 2017, 10 July 2017, 28 July 2017, 04 August 2017, 21 November 2017, 16 January 2018 and 23 February 2018 respectively.

Name	Qualification	Members	Date Appointed	Date Resigned	No. of meetings attended	Comments
Mr. LED Hlatshwayo	CD (SA) CA (SA) MBA, CTA, B Compt (Hons)	External	05 May 2014	22 August 2017	4	Chairperson Independent non-executive Resigned
Ms D Botha	CD (SA), CIA, CRMA, CISA, Executive MBA (UCT), Higher Diploma in Computer Audit	External	22 January 2016	N/A	8	Acting Chairperson Independent non-executive.
Dr P Dala	PhD, CISA, CRISC, CISM, CGEIT, CEH, CHFI & LA27001, Masters of Information Technology, Bsc Computer Science, Bachelor of Information Technology.	External	24 February 2017	N/A	8	Independent non-executive.
Mr N Vermeulen	B Social Science Bcom (Hon)	Board	27 February 2015	N/A	4	Nominated by the Board to the committee Term expired.
Mr G Strauss	Certificates CCMA, Financials and Financial Accounting	Board	23 January 2015	N/A	4	Nominated by the Board to the committee. Term expired.
Adv E Nwedo	Masters in Labour Law and Employment Relations. Awarded a Merit Bursary for Academic Excellence. Magister Philosophiae (M. Phil)	Board Member	26 January 2018	N/A	1	Nominated by the Board to the committee.
Ms L Kganyago	Project Management.	Board Member	26 January 2018	N/A	1	Nominated by the Board to the committee.

Name	Qualification	Members	Date Appointed	Date Resigned	No. of meetings attended	Comments
Mr M Macikama	Higher Diploma in Tax Law (H. Dip. Tax) B.Comm: Accounting.	Board Member	Co-opted from the Board for one meeting on 16 January 2018.	N/A	1	Co-opted from the Board for one meeting on 16 January 2018.
Mr T Tshfuta	B.A. (Public Administration and Politics).	Board Member	Co-opted from the Board for one meeting on 16 January 2018	N/A	1	Co-opted from the Board for one meeting on 16 January 2018.

Internal Control environment

In line with the PFMA, Treasury Regulations and best practice on corporate governance requirements, Internal Audit provides the Audit and Risk Committee and management with reports and assurance that the internal controls are adequate and effective. This is achieved by means of risk management processes, as well as the identification of corrective actions and recommendations to enhance the control environment.

In the 2016/2017 financial year the UIF received a “disclaimer” from the Auditor-General (AGSA) on the annual financial statements and the Committee was concerned about the sudden regression in the audit outcome when, at the same time, service delivery and supply chain management were also on the downward trend.

A project was initiated in the Office of the Commissioner to address the AGSA’s findings and prevent recurrence. The Audit and Risk Committee is satisfied that management has taken corrective action through this project to address the identified financial risks across the organization and to ensure that action plans are implemented for the controls deficiencies identified. In addition, management regularly reviews the organisation’s state of readiness for the statutory audit to timeously identify gaps and strengthen the control environment and internal control systems.

However through management and internal audit reports, significant issues were raised with regard to service delivery, performance information, to timeous payments of service providers as required by the PFMA and to supply chain management, which continues to impede service delivery.

The Audit and Risk Committee therefore concludes that good progress has been made particularly on the financial statements. However, the control environment at the UIF still requires improvement to ensure achievement of organizational objectives.

Internal Audit

The Fund has an Internal Audit function which provides independent and objective assurance and consulting services relating to controls, governance and risk management.

Based on the audit work performed and reports presented to the Committee by the Internal Audit function, the Committee is satisfied that Internal Audit remains independent and has operated effectively for the period under review, including in conducting follow up audits where capacity allows. Internal Audit has addressed the risks pertinent to the Fund in its scope, with the exception of ICT audits which require more focus, and for which a service provider has recently been appointed.

All key outputs for the Internal Audit Activity were achieved during the year except for the continuous monitoring of the remediation of audit findings. This was due to capacity constraints and this responsibility has recently moved to the Office of the Commissioner.

Governance

It is the Audit and Risk Committee's view that the overall governance processes within the UIF have improved since the previous year but still require focus and discipline to reach optimum levels, particularly on performance monitoring, supply chain management and ICT. These areas are pivotal in supporting service delivery and the UIF's mandate.

The committee is concerned about their inability to provide adequate and effective oversight of ICT partly due to ineffective quarterly reporting and management not providing the committee with an ICT universe showing clear delineation of responsibilities between the Department of Labour and its entities. A combined ICT governance framework aligned to the DPSA Corporate Governance of ICT policy framework was defined and adopted. A Department of Labour, UIF and Compensation Fund ICT Steering Committee has recently been established which, together with the centralization of ICT procurement recently announced by the Director-General, should help with cost-savings, ensure a common systems architecture and appropriate synergies and improve ICT governance.

The continued lack of progress and inadequate reporting, specifically from a project governance perspective on the SAP implementation project, remains a concern as the system is key to service delivery. The delay is due to an investigation into the procurement process whereby the implementation service provider was appointed.

The Committee has also been unable to obtain adequate assurance that Business Continuity Management is cohesive and well tested and, together with the Department of Labour and Compensation Fund Audit Committees, has requested that Business Continuity Planning and Disaster Recovery be integrated across the entities.

With regard to the UIF's status of compliance with applicable legislation, a compliance universe has recently been presented to the Committee but members were not satisfied that it was complete. This will be an area of focus in the next financial year.

Risk Management

The Unemployment Insurance Fund has a risk management division in place as per the PFMA. The Audit and Risk committee has evaluated risk management reports during its meetings and the committee is of the opinion that risk management processes in the Fund still need maturation, line management need to take ownership of their risks and operational, project and fraud risk assessments need to be fully implemented.

A risk committee, focusing on risk management, fraud awareness, combined assurance and business continuity has been established and should provide the Audit and Risk Committee with quarterly reports. The level of reporting during the current year has not been satisfactory but a Chief Risk Officer and an independent Risk Committee Chairman have recently been appointed.

The quality of management and monthly/quarterly reports submitted in terms of the PFMA and Division of Revenue Act.

The Audit and Risk Committee was presented with and discussed management reports during the year. The Audit and Risk Committee is satisfied that the quality of management reports prepared and presented by management has been improving but quality assurance processes and timeous presentation of reports to the Committee still need focus.

Evaluation of the Financial Statements

The 2016/2017 financial year's "disclaimer" from the Auditor-General on the annual financial statements was due, inter alia, to unlisted investments, lack of supporting documentation to substantiate the accounting for investment revenue at fair value, related party disclosure and the accuracy of the cash flow statement.

The project in the Office of the Commissioner was initiated to address all the Auditor-General's findings, a management steering committee was established, the Accountant-General and the Accounting Standards Board were consulted and a service provider was appointed to assist with consolidations both for the 2016/2017 and for the 2017/2018 financial years. As a result, the prior year's financial statements have had to be restated and the AGSA has been regularly consulted as to the approach. The Committee has closely monitored progress throughout the year.

The 2017/18 Annual Financial Statements were reviewed by the Committee and recommended to the Advisory Board for approval and submission to the Auditor-General and National Treasury.

As stated above, there were significant improvements in the quality of the Annual Financial Statements presented and the Committee was delighted with the Auditor-General's final audit opinion for the 2017/2018 year of "unqualified with findings" for which we congratulate the Commissioner and his team.

Performance Information Review

The committee reviewed the entity's performance information and was not satisfied with the achievements against performance indicators and targets as outlined in the Annual Performance Plan, with some exceptions. In addition, the Committee was concerned with the effectiveness of management controls in some areas to ensure that performance information reported is accurate, valid and complete with the relevant supporting evidence.

Management were requested to clarify performance metrics, enhance performance monitoring controls and take prompt corrective action where necessary. Where there are dependencies on external parties, management were asked to actively engage with

these stakeholders to improve service delivery, including for the roll out of the queue management system, review of death benefit processes and the integration of systems. Internal Audit have been requested to audit performance reporting in the next financial year.

Subsequent to the Committee's review and some interventions by management, the Auditor-General's reviewed the Fund's reporting on performance information and found it to be "unqualified" in all areas.

The Committee noted that effective monitoring of the ICT operations is required to address some key areas of concern, being:

- Uniform and coordinated implementation of ICT initiatives across the Department of Labour and its entities in support of effective of service delivery and in line with the Department's Enterprise Architecture.
- The transfer of the data centre from the old WK Nkomo building to a new site.
- The resolution of the UIF SAP implementation project with Accenture, the appointment of a new SAP service provider and the utilisation of the purchased SAP licences.
- Cybersecurity.

Internal Audit will, in collaboration with the Internal Audit Activities of the Department of Labour and the Compensation Fund, increase their focus on ICT.

Combined Assurance

During the reporting period, the coordination of the Auditor-General, Risk Management and Internal Audit have assisted the Audit and Risk Committee in fulfilling its responsibilities. The Committee has reiterated however that management, as the first line of defense, must continue to enhance their focus on governance, risk management and controls.

The Audit and Risk Committee held regular separate meetings with management, Internal Audit, Risk Management and the Auditor-General to enable them to raise any matters of concern with the Committee confidentially.

In closing I would like to thank the Auditor-General team for the external audit and the Commissioner and his team, Internal Audit, management, and members of the Audit and Risk Committee for their hardwork over the past year and their commitment to building a rigorous governance, risk and control environment, to help fulfill th UIF's mandate of providing support for the unemployed.

We trust it will continue to bear fruit.



Ms DA Botha CD (SA), CIA

Acting Chairman of the Audit and Risk Committee

Date: 29 July 2018

3. INTERNAL CONTROL UNIT

3.1 Key Activities and Objectives of Internal Audit

Internal Audit (IA) is an independent, objective assurance and consulting activity designed to add value and improve UIF's operations. The objective of the IA function is to assist UIF to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of internal controls, risk management and governance processes.

3.2 The Internal Audit (IA) function reviews the following:

- The reliability and integrity of financial and operational information;
- Compliance with laws, regulations, policies and contracts;
- Safeguarding of assets;
- The economical and efficient use of resources;
- Establishment of operational goals and objectives; and
- Appropriateness of processes for the achievement of objectives.

According to the approved annual plan, internal audit was expected to complete 50 audits by 31 March 2018.

Summary of work done:

Type of audits	Reports issued	Number
Regulatory Audits	Yes	23
Cyclical Audits	Yes	5
Follow up Audits	Yes	5
Consulting Services	Yes	10
IT Audits	Yes	6
TOTAL		49

During the year internal audit received Nine (9) Adhoc requests from management, Auditor-General South Africa and the Audit and Risk Committee. The audits were completed and reported before the 31st March 2018; however there was a limitation of scope on the following audit due to unavailability of information and management.

- Investment management.

3.3 Internal audit overall assessment on the internal controls, Risk Management and Governance Processes are as follows:

3.3.1 Internal Controls

The opinion is an accumulative view of audits performed as allocated during the 2017/18 financial year. In our opinion, the overall control environment of UIF is adequate and partly effective, with some issues noted that requires management's immediate attention. During provincial follow up audits in last quarter of the years ended 31st March 2018, we have noted a significant implementation of recommendations and management action plans.

Key issues which require management's immediate attention:

- Inadequate management assurance as the first line of defence in combine assurance.
- Investment Management.
 - Lack of monitoring;
 - Proper controls and evaluation of reports by management at UIF;
 - Poor record keeping which result in information not available for audit purposes; and
 - Lack clear processes of obtaining information from Public Investment Corporation (PIC).

3.3.2 Risk Management

In our opinion, the risk management within the UIF is partly inadequate. Although there were no Risk Management audits conducted during the 2017/18 financial year, there are significant areas that need improvement. Strategic risk assessments are not conducted timeously, and not aligned with the organisation's strategy, APP and the Budget processes, which could result in some risks not funded or mitigated and also affect the development of the Internal Audit. Risk committee requires improvement as it only met once to address risk management matters.

3.3.3 Governance Processes

During the 2017/18 financial year the Director- General established an extended Dexcom, which included Deputy Directors from provinces and regional offices. The Dexcom is a platform where management account for the performance of their respective areas. The Mid-term review is also another platform that ensures accountability of management. Management accounts to the Minister on their performance. Lack of clear roles and responsibilities, relationship between head office and provincial offices has been a contributing factor for unsatisfactory service delivery.

3.3.3.1 ICT governance

Key issues which require management's immediate attention:

- The lack of clear roles and responsibilities between DoL and UIF in relation to ICT matters has resulted in lack of accountability at UIF; and
- Lack of adequate structure to evaluate direct, monitor ICT performance and investment which might lead to lack of accountability and alignment of ICT activities and Business.

In our opinion, the overall governance processes within the UIF is adequate, however the efficiency of oversight structures requires improvement.





PART D | HUMAN RESOURCE MANAGEMENT



1. INTRODUCTION

The primary objective of the Human Resource Management and Organisational Effectiveness Directorates is to provide strategic support to the Unemployment Insurance Fund for the fulfillment of its overall strategic goals through implementing initiatives for the organisational continuous improvement that enhance productivity and organisational effectiveness, optimal use of human capital, enhancing skills development, performance management, promoting harmonious labour relations and optimising employee well-being.

2. THE KEY STRATEGIC HUMAN RESOURCE PRIORITIES

The key focus areas for the Directorates were:

- Maintaining the staff establishment;
- Employment of people from designated groups;
- Promoting sound Labour Relations;
- Implementation of Learning and Development initiatives;
- Promoting employee health and wellness;
- Promoting diversity management through gender, disability and youth programmes; and
- Providing advice, implementing change management and employee engagement initiatives.

2.1 Staff establishment

At the end of March 2018, the establishment of the Fund comprised of 574 posts. The percentage of posts filled was 87.1% and 12.9% was vacant. The Fund managed to decrease the vacancy rate by 10% (from 22.9% in the previous financial year to 12.9%).

2.2 Employment Equity

The Fund placed a high priority on employment equity in support of government transformation initiatives. 53.4% employees on the UIF establishment were women, whilst 46.6% were men. 54.2% of senior management posts were filled by women. People with disability represented 3% of the total number of employees.

2.3 Organisational Effectiveness and Organisational Design

The Directorate Organisational Effectiveness piloted the employee engagement strategy which included on-boarding of newly appointed employees. Furthermore, exit interviews were conducted with employees leaving the UIF for the purpose of finding the reasons behind staff turnover, so that relevant interventions can be implemented to curb employees from leaving the fund. The ultimate goal is to ensure that employees of the fund are engaged and remain committed because such employees constitute an investment and possess institutional memory. The Directorate also facilitated the implementation of the performance management system aimed at aligning the key deliverables of employees to the strategic objectives of the Unemployment Insurance Fund and recognizing and rewarding excellent performing employees within the fund, whilst also identifying under performing employees in order to provide them with support. Lastly the Directorate supported other directorates with the development and streamlining of business processes and development of standard operating procedures.

2.3 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. 93% of the grievances received during the financial year were resolved. 100% of misconduct cases were investigated and finalised.

2.4 Skills Development

The Unemployment Insurance Fund implemented learning and development interventions for all employees as part of the Human Resources Development strategy for the 2017/18 financial year. As part of this process a total number of 189 employees were trained in 37 different skills programmes through the implementation of the Workplace Skills Plan.

2.5 Performance Management

The performance management of officials is managed on regular basis, with formal assessments taking place twice a year. During the 2016/17 financial year, 19% of the employees were rewarded with merit awards for above satisfactory performance.

2.6 Employee health and wellness programmes

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

3. KEY CHALLENGES

The vacancy rate was successfully reduced by 10% by the end of the financial year; however, it still remains high at 12.9%. Reducing the vacancy rate to an acceptable level will remain a priority of the Directorate Human Resource Management for the financial year 2018/19.

4. KEY STRATEGIC FOCUS FOR 2018/19

- Reducing and maintaining a low vacancy rate;
- Employment of people from designated groups;
- Workplace exposure through the provision of an internship programme;
- Implementing learning and development initiatives for staff;
- Promoting sound labour relations;
- Promoting employee health and wellness and implementing diversity management programmes;
- Implement change management and employee engagement initiatives; and
- Reviewing of the Labour Centre operating model to improve service delivery and productivity.

5. HUMAN RESOURCE OVERSIGHT STATISTICS

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

Personnel Cost by programme

Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
UIF	19 731 669	1 168 993	5.92	2 981	392

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	1 387	0.12	1	1 387
Senior Management	32 814	2.81	29	1 132
Professional qualified	227 019	19.42	308	737
Skilled	398 595	34.10	914	436
Semi-skilled	500 828	42.84	1 686	297
Unskilled	8 350	0.71	43	194
TOTAL	1 168 993	100.00	2 981	392

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

Personnel cost by salary band for Head Office staff

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	1 371	0.60	1	1 371
Senior Management	25 449	11.19	23	1 106
Professional qualified	69 561	30.59	137	507
Skilled	76 534	33.66	179	427
Semi-skilled	52 940	23.29	151	350
Unskilled	1 520	0.67	9	168
TOTAL	227 375	100.00	500	3 932

Performance Rewards

Programme//activity/ objective	No of employees	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	0	0	1 371	0
Senior Management	1	50 149	25 449	0.02
Professional qualified	15	516 037	69 561	0.22
Skilled	29	582 676	76 534	0.25
Semi-skilled	48	728 463	52 940	0.32
Unskilled	2	19 214	1 520	0.01
TOTAL	95	1 896 539	227 375	0.83

Training Costs

Programme// activity/ objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
UIF	227 375	5 972	2.62	189	31 598

Employment and vacancies

Programme/ activity/ objective	2016/17 No. of Employees	2017/18 Approved Posts	2017/18 No. of Employees	2017/18 Vacancies	% of vacancies
UIF	449	574	500	74	12.9

Programme/activity/ objective	2016/17 No. of Employees	2017/18 Approved Posts	2017/18 No. of Employees	2017/18 Vacancies	% of vacancies
Top Management	1	1	1	0	0
Senior Management	21	24	23	1	0.2
Professional qualified	111	159	137	22	3.8
Skilled	150	205	179	26	4.5
Semi-skilled	157	176	151	25	4.4
Unskilled	9	9	9	0	0
TOTAL	449	574	500	74	12.9

Efforts were made to ensure that posts were filled within 90 days of being vacant. Constraints in the filling of posts were the result of the high number of vacant posts resulting in high volumes of applications received which prolonged the turnaround times. The reduction and maintenance of a low vacancy rate is a key objective of the Fund for 2018/19.

Employment changes

Provide information on changes in employment over the financial year. Turnover rates provide an indication of trends in employment profile of the public entity.

Salary Band	Employment at beginning of period	Appointments	Promotions	Terminations	Employment at end of the period
Top Management	1	0	0	0	1
Senior Management	21	4	1	1	23
Professional qualified	111	21	11	3	137
Skilled	150	28	15	2	179
Semi-skilled	157	11	1	3	151
Unskilled	9	0	0	0	9
Total	449	64	28	9	500

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	4	0.8
Resignation	3	0.6
Dismissal	0	0
Retirement	2	0.4
Ill health	0	0
Expiry of contract	0	0
Other	0	0
Total	9	1.8

The entity did not have a high volume of employees exiting. The turnover rate for the entity was 0.02% at the end of the financial year.

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written warning	4
Dismissal	0

Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	100	43.8	0	1.6	0	2.1	0	8.6
Senior Management	39.1	43.8	0	1.6	4.3	2.1	0	8.6
Professional qualified	50.6	43.8	1.8	1.6	3.1	2.1	2.7	8.6
Skilled	33.5	43.8	0.6	1.6	0.6	2.1	1.1	8.6
Semi-skilled	49.7	43.8	0	1.6	0.7	2.1	2.0	8.6
Unskilled	33.3	43.8	0	1.6	0	2.1	0	8.6
TOTAL	43.2	43.8	0.4	1.6	1.4	2.1	1.6	8.6

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	34.7	0	1.5	0	1.2	0	6.5
Senior Management	43.5	34.7	0	1.5	0	1.2	13.0	6.5
Professional qualified	36.4	34.7	1.8	1.5	0.6	1.2	4.5	6.5
Skilled	36.9	34.7	0.6	1.5	1.7	1.2	25.1	6.5
Semi-skilled	38.4	34.7	4.6	1.5	0.7	1.2	4.0	6.5
Unskilled	66.7	34.7	0	1.5	0	1.2	0	6.5
TOTAL	38.0	34.7	2.2	1.5	1.0	1.2	12.2	6.5

Levels	Disabled Staff		
	Male	Female	
	Current	Current	Target
Top Management	0	0	2.8
Senior Management	0	0.2	2.8
Professional qualified	0.2	0	2.8
Skilled	0.6	0.6	2.8
Semi-skilled	0.6	0.8	2.8
Unskilled	0	0	2.8
TOTAL	1.4	1.6	

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

PART E

REPORT ON BUSINESS OPERATIONS AND OTHER SUPPORT SERVICES



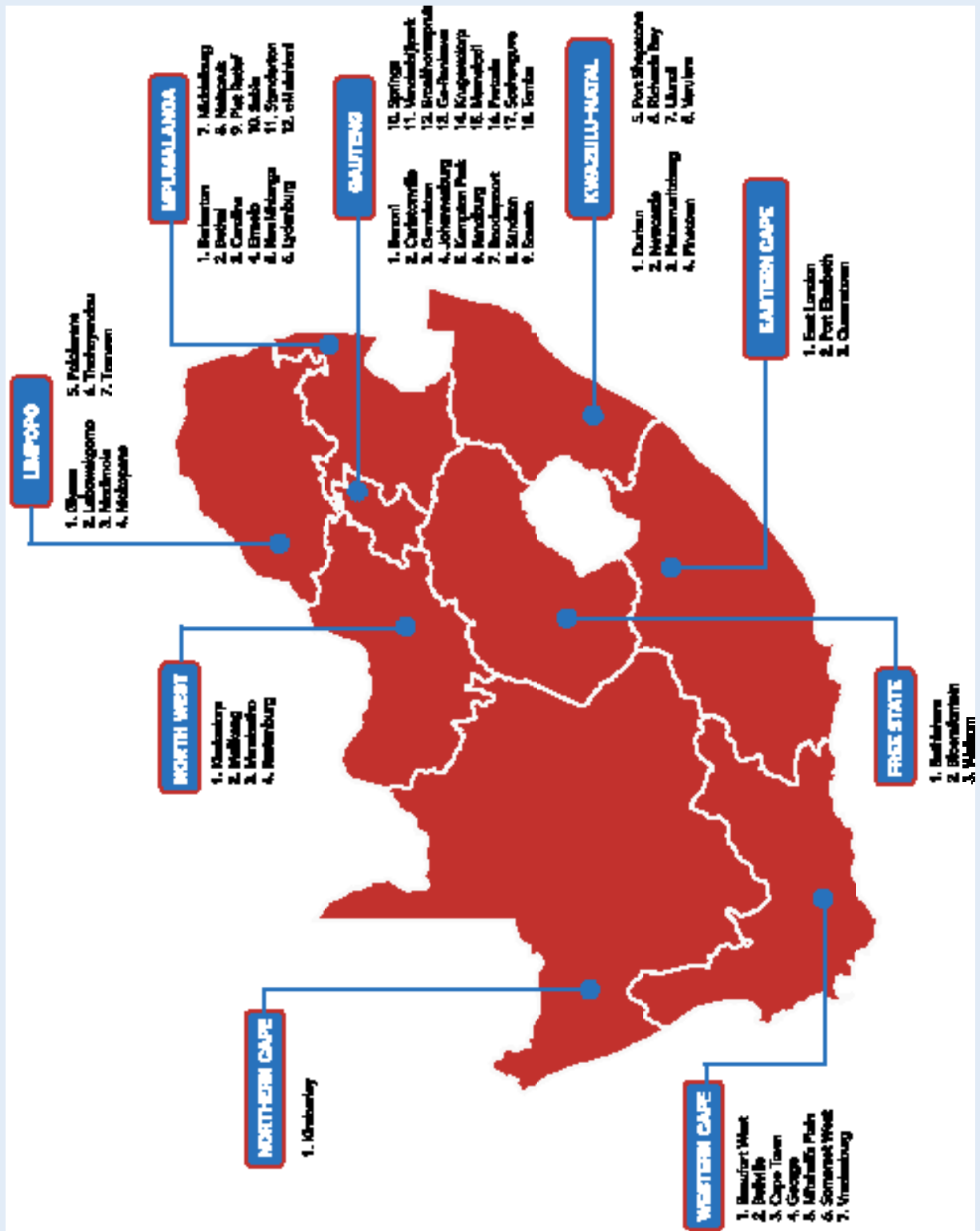
1. BUSINESS OPERATIONS

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

- Management and administration of the UIF database;
- Management and administration of claims assessments and benefits payments;
- Rendering assistance on UIF matters to Provincial offices, Labour 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; and
- Systems administration (Operational systems administration) and role allocation.

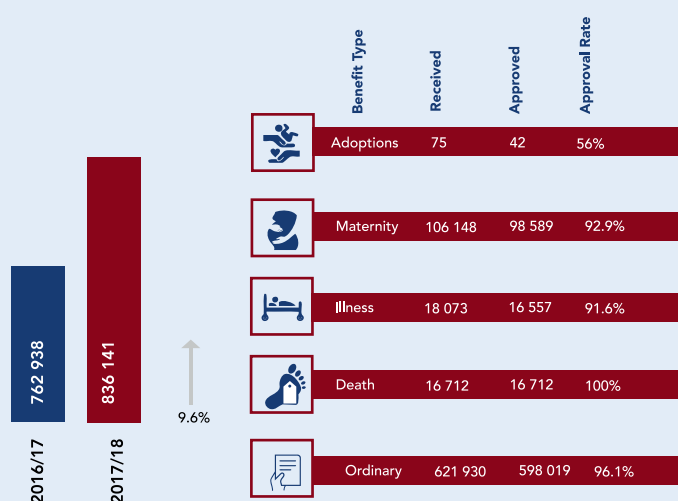
The operations of the Fund are delivered through various Labour Centres, Satellite offices (visiting points) and Mobile units. There are currently 126 Labour Centres that members of the public can access UIF services. These Labour Centres further service almost 823 visiting points within their geographical location. The table below reflects centres which have processing of claims capacity within the various provinces.

2. UIF /

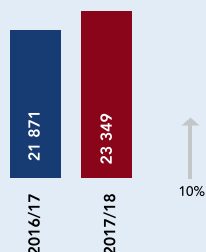


3. BUSINESS OPERATIONS PERFORMANCE HIGHLIGHTS

Claims



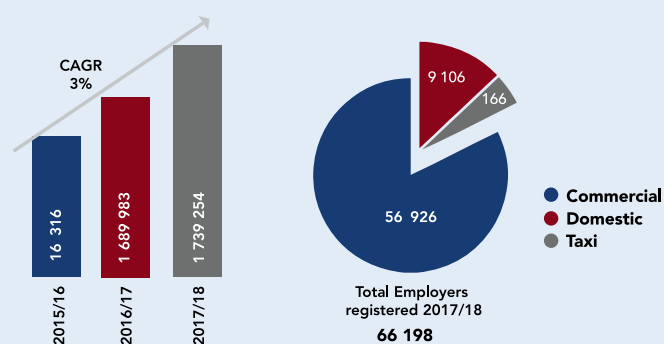
U- Filing Claims



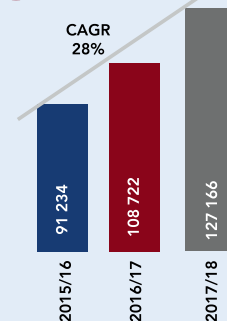
Target	Received	Variance
20 000	23 349	10% above target

Employer

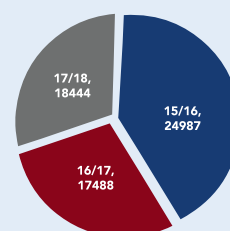
New Employers 17/18



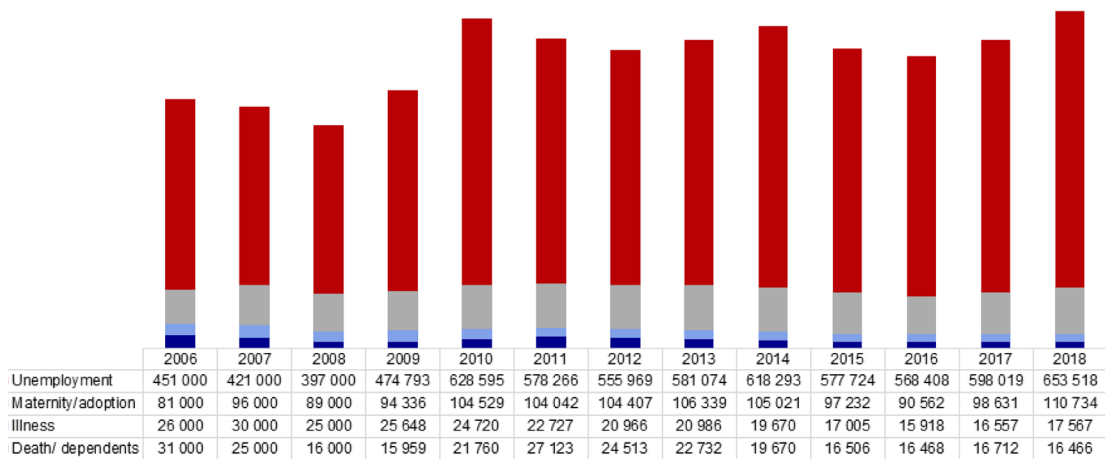
Total U-Filing users



5%

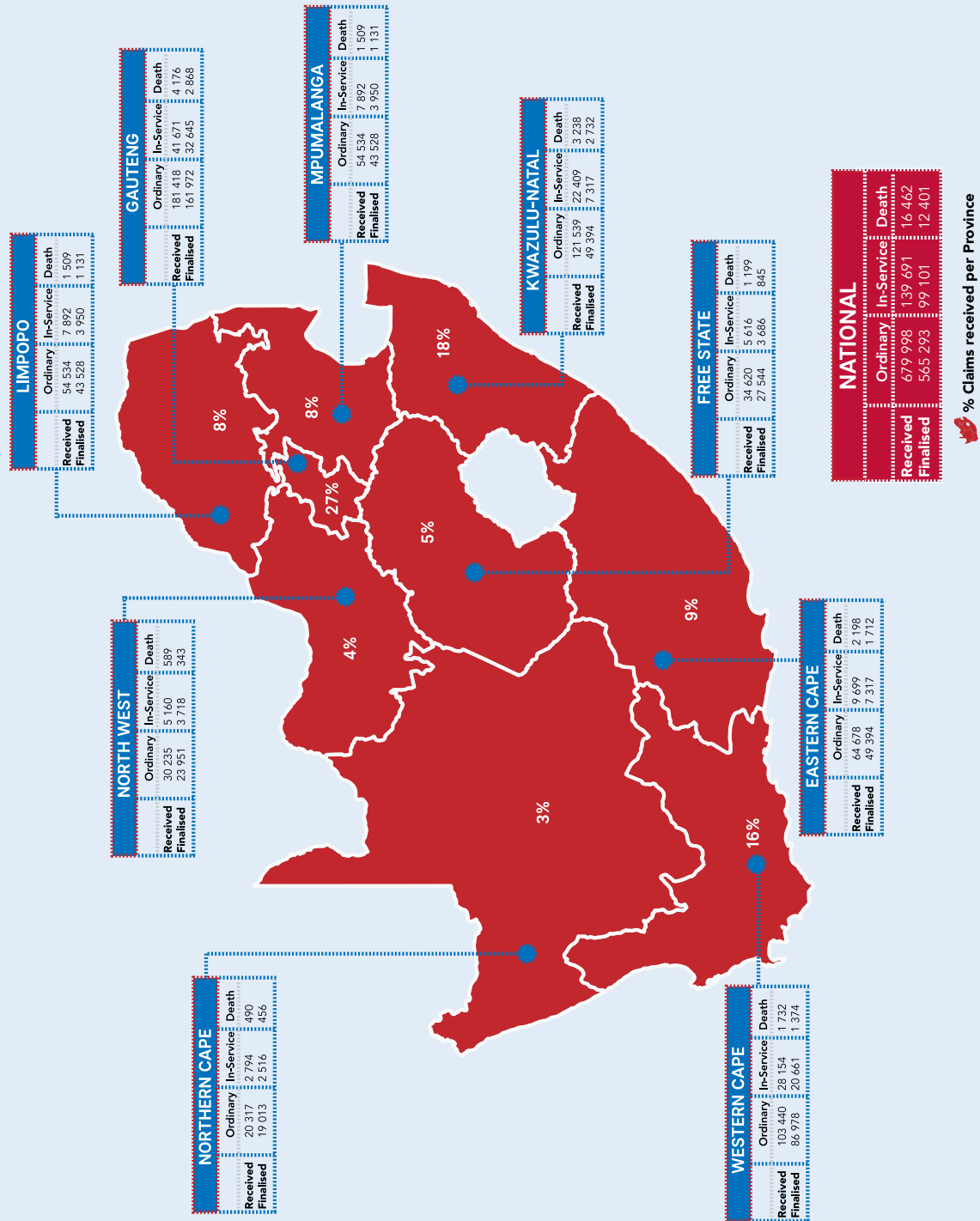


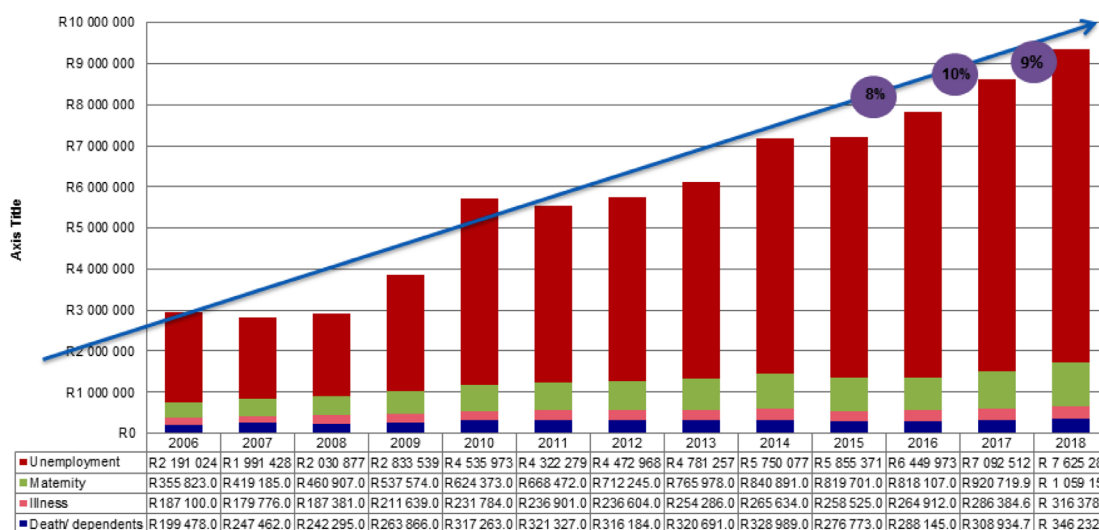
Employers using uFiling to declare and pay contribution



Number of claims stayed fairly stable over the past 12 years; with unemployment and maternity claims increasing while illness and death claims declined.

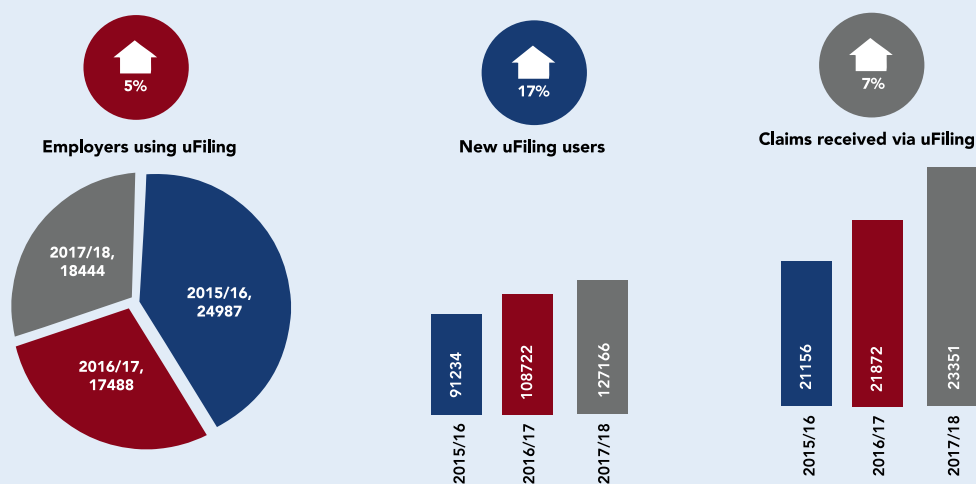
4. CLAIMS PROCESSING





From 2006 to 2008 the claims value reached stability, similarly in 2010 to 2013. In the last three years there was a constant growth in the value of claims which amounted to approximately R 9,5 Billion

Technology to improve service delivery



The number of employers using uFiling increased by 5% during 2017/18 when compared to 2016/17

A total of 1 745 833 employers are currently registered with the Fund. These are categorised mainly as commercial employers, domestic employers and taxi employers. The bulk of the employers registered are in the commercial sector. Since 2003, domestic households have continued to register themselves and the number of registered employers on the database has grown steadily. Unfortunately, the taxi sector has been slow in complying with the Fund's requirements and continues to resist attempts by the Fund to register, as can be seen in the negligible increase in registrations during the past year.

5. COMMUNICATIONS AND MARKETING

The Communication and Marketing section is responsible for marketing UIF services and increasing corporate brand awareness, as well as enhancing the UIF image amongst the public, stakeholders and clients.

The Directorate uses various communication and marketing tactics such as multimedia advertising campaigns, stakeholder engagement, media publicity, advocacy sessions, and provincial communication campaigns to fulfill its objectives.

The section embarks on provincial communication campaigns to assist UIF to achieve its strategic objectives. Provincial campaigns are conducted in conjunction with our provincial counterparts and they include mall activations, advocacy sessions, seminars, community outreach events, and door-to-door visits to businesses. The section conducted 36 provincial communication campaigns as targeted in the workplan by the end of March 2017, thus ensuring that workers are aware of their rights and employers understand their obligations under the Unemployment Insurance Act.

The Directorate has formed relations with various stakeholders to promote work that is done by the UIF. The stakeholders include Sage Payrol, Pay Day Software System, South African Institute of Chartered Accountants, South African Institute of Professional Accountants, Business chambers and other related professional bodies. These stakeholders provide access to their members who deal with UIF related activities in their companies, and through briefing sessions UIF was able to reach 3004 stakeholders who were educated about the uFiling system.

The Directorate facilitated participation of UIF in various exhibitions, which provided a platform for engaging and assisting clients with various queries. Through these exhibitions the Fund was able to assist 3 309 stakeholders with queries varying from claims applications, new registrations, declarations, and compliance certificates.

One of the strategic activities of the Directorate is to conduct national advertising campaigns using broadcast media, print, social media, Out Of Home, digital and online media. Advertising campaigns assist in increasing awareness about various offerings of the Fund, including benefits.

During June and August 2017 the section conducted an eleven episode educational radio campaign with SABC focussing on UIF benefits, and this enabled the Fund to achieve a combined reach of more than 10 million listeners across radio stations. A similar campaign was also conducted on Power FM in June 2017 where the Commissioner and some executive managers were interviewed about services offered by their sections.

The Directorate also used media networking sessions to generate publicity for the work done by the UIF. Last year the section conducted media networking sessions in Mbombela, Rustenburg, and Limpopo where the community media was educated about the Labour Activation Programmes.

In addition, the section facilitated radio interviews with various radio and TV programmes such as SA FM, Ligwalagwala FM, Phalaphala FM, Radio Unisa, Radio 702, ANN7, Leihlo La sechaba, ENews, and Carte Blanche.

The Directorate facilitates organisational internal communication through the internal newsletter and creates platforms for executive management to regularly interact with staff. The section produced six issues of the internal newsletter (Rivoni) which serves as a platform to inform staff about various developments happening within the Fund.

A staff Lekgotla was held at the end of March where the Commissioner unpacked the new vision, mission and objectives of the Fund, and this platform also provided an opportunity for senior management to engage with staff on various strategic issues emanating from their respective business units.

The Directorate provides writing and editorial advice for all publications including, promotional material, website content, annual report, strategic plan and the Annual Performance Plan document. The section ensured that all statutory publications are delivered in Parliament as per prescribed dates, and produced promotional items to promote the UIF brand and educate various stakeholders about UIF offerings.

6. LABOUR ACTIVATION PROGRAMMES

South Africa has been experiencing a high rate of unemployment which averaged 27% during the financial year especially amongst the youth. There is lack of opportunities in the labour market. Unemployed UIF beneficiaries and youth lack the skills required in the labour market and in some instances lack work experience.

Therefore UIF has effected Section 48(1)(a)(iv) of the Unemployment Insurance Act, 2001, as amended, to implement interventions towards job preservation, creation, retention and skills development through the Labour Activation Programmes (LAP). LAP is an intervention through which UIF supports social security and National Development Plan. Section 5(d) of the Act also provides that the UIF funds must be used for the 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 UIF intervenes through LAP schemes to bring about radical socioeconomic transformation amongst the unemployed UIF beneficiaries and the youth. It is estimated that at least ten individuals are dependent on one worker which means every UIF beneficiary who participate in the LAP programmes is potentially changing lives of ten people.

6.1 LAP purpose

The purpose of LAP is to ensure that unemployed UIF beneficiaries are re-integrated/ integrated into the Labour Market by:

- Enhance employability;
- Preserve jobs; and
- Enable entrepreneurship.

The output for all these is that participants in LAP projects must end up being an employee or an employer who is able to contribute meaningfully in the economy and earn a living. The LAP Strategy was reviewed in the 2017/18 financial year in a deliberate attempt to align LAP interventions with the needs of the economy. The fact that UIF pays an average of 60 000 (sixty thousands) beneficiaries per month calls for a better alignment between benefit payment and LAP interventions.

6.2 LAP objectives

The objectives of LAP are as follows:

- Align with other government job creation initiatives and build relationships with employer organisations;
- Link UIF beneficiaries to job opportunities;
- Integrate UIF beneficiaries into the labour market;
- Improve and implement employment enhancement schemes;
- Reduce duration of unemployment of UIF beneficiaries;
- Increase employment rate through SMME's;
- Participate in Enterprise Development; and
- Intervene speedily in job saving initiatives.

7. LAP ACHIEVEMENT 2017/2018

During the 2017/18 the Chief Directorate: Labour Activation Programme budget was R 88, 5 million. The budget was utilised to achieve the above objectives through partnerships with different stakeholders, e.g. Technical and Vocational Education and Training (TVET) Colleges, as well as Sector Education and Training Authorities (SETAs).

7.1 Number of UI beneficiaries benefited from LAP schemes and expenditure

SCHEMES	PROGRAMME(S)	NUMBER OF BENEFICIARIES		EXPENDITURE	
		2016/2017	2017/2018	2016/2017	2017/2018
Training of the Unemployed	Skill programmes, Apprenticeships and Learnerships	1 786	4 702	R 124 700 000.00	R 46 412 903.87
Training Layoff Scheme	Social plan Funding	135	358	R 2 000 000.00	R 34 544 189.87
Turnaround Solutions	Jobs Saved	4 760	6 684	R 17 500 000.00	R 14 780 255.70
TOTAL		6 681	11 744	R 144 200 000.00	R 95 737 349.44

7.2 Training of the Unemployed (TOU)

Skills Development is central to the reduction of unemployment and poverty alleviation. The long term plan of this approach is to ensure that the trainees are linked with state financial institutions whereby they will receive financial and non-financial support. The Fund also established partnerships with TVET colleges and SETAs to train 5 706 beneficiaries on the programmes. Some of these partnerships were continuation from the prior financial years. The UIF spent R 46, 4 million towards the funding of the training of the Unemployed in the 2017/18 financial year. This Programme benefited a total of 4 702 beneficiaries.

7.3 Turnaround Solution (TAS)

The current economic conditions in the country are affecting companies/employers negatively and this results in job losses if not curbed timeously. Productivity South Africa (Productivity SA) is a key stakeholder of the UIF in the implementation of the Social Plan Programme. The Programme is aimed at providing turnaround solutions to companies in distress. An amount of R 14 million was transferred to Productivity SA during the 2017/18 financial year for the provision of support to 100 companies in distress. Productivity South Africa has supported companies in distress and managed to save 6 684 jobs.

7.4 Training Lay-off Scheme (TLS)

The Training Layoff Scheme is a temporary suspension of work for a worker or a group of workers that are enrolled into training. The scheme is aimed at companies that face a potential risk of retrenching workers due to economic conditions. It is meant for companies which will retain employees thus preserving jobs. During training the UIF pays 75% of the employee wages and the relevant SETA pays for the training. The TLS programme was able to impact positively through paying 75% for training of 358 employees. One of the lessons with regards to the TLS is that the economic environment has changed from the time the intervention was designed. It is therefore necessary to review the policy and guidelines on TLS so that they are aligned with the current economic environment.

7.5 Enterprise Development (ED)

The Enterprise Development pillar of LAP is still in an infancy stage. The UIF is in the process of establishing Enterprise Development to enable entrepreneurship. The main objective of this pillar is to create enterprises and create opportunities for more employment. The UIF started engagements with the partners that are funded through UIF funds to assist with the process so that the UIF does not reinvent the wheel. A very good progress is being made as a model for LAP incorporating Enterprise Development was proposed for further consultation.

7.6 Challenges

The LAP programme is a good programme with a potential for immediate and meaning impact on the vulnerable in society. There have been some challenges that were picked up in the implementation of this programme. They are listed below:

- Some of the partners were not ready to start training after signing a Funding Agreement;
- Some partners start with implementation of projects without consulting with the UIF;
- Some of the TVET Colleges struggled with accreditation for the approved learnership;
- In some cases partners submit requests for transfer of funds in terms of the Funding Agreement but submit incomplete supporting documents leading to non-payment of learners;

The implementation of learnerships requires that learners are exposed to practical work at a workplace post the theory training. There have been very serious challenges with workplaces for workplace experience after learners complete the theory part of the learnerships. The mitigation of having Municipalities to provide such was not always very successful. In some instances learners complained about the workplaces being too far from where they stay. Some of the challenges experienced by the learners included the following:

- Complaints on the amount of the stipend received by learners led to the UIF pursuing a process to consider an increase in the stipend. Progress is being made as a final recommendation was made after some analysis by the actuaries in terms of the sustainability of the UIF should there be an increase of the stipend;
- Complaints on the required medicals before workplace placements – learners have to incur costs from their own pockets;
- Lack of toolkits required in certain trades or inadequate provision thereof;
- Complaints on classroom training being too short. This is unfortunately regulated and in the control of training institutions;
- Lack of proper accommodation (classrooms) for learners by some colleges;
- UIF contributions deducted from the learner stipends;
- New proposals for partnerships that could not be finalised as planned due to the identified gaps in the process followed. This led to the advertisement of the Expression of Interest targeting government entities and their subsidiaries;

7.7 Remedial actions

- Some options are being pursued to remedy the capacity problem for LAP hence the UIF provides for a longer period to cater for the extra activities;
- The UIF has since reviewed the payment schedule that is agreed with partners prior the start of a project. The payment schedule indicates exactly what needs to be submitted with each request for tranche payment;
- The UIF has decided that medicals will be catered for in the funding if required for the training programme;
- The UIF will also cater for the required tools of trade. This includes the provision of quality Personal Protective Equipment (PPE);
- The monitoring of projects will be done regularly by the UIF and Public Employment Services to pick up issues earlier and intervene timeously ;and
- To ensure that the UIF and partners work together in harmony initiation meetings are held to discuss the provisions of the Funding Agreements; and share the UIF's expectations before the start of the an approved project.



8. OFFICIAL SIGN-OFF

It is hereby certified that this ANNUAL PERFORMANCE REPORT 2017/18:

Was developed by the management of the Unemployment Insurance Fund under the guidance of Mr. T Maruping.

Was prepared in line with the current Strategic Plan and Annual Performance Plan (APP) of the Unemployment Insurance Fund (UIF)

Was prepared in line with the current annual performance targets as reflected in the APP of the Unemployment Insurance Fund

Accurately reflects the performance of the UIF during the 2017-2018 financial year

Signature.....

Mr. T MARUPING

COMMISSIONER: UNEMPLOYMENT INSURANCE FUND

Date: 31 July 2018

Signature.....

Mr. T LAMATI

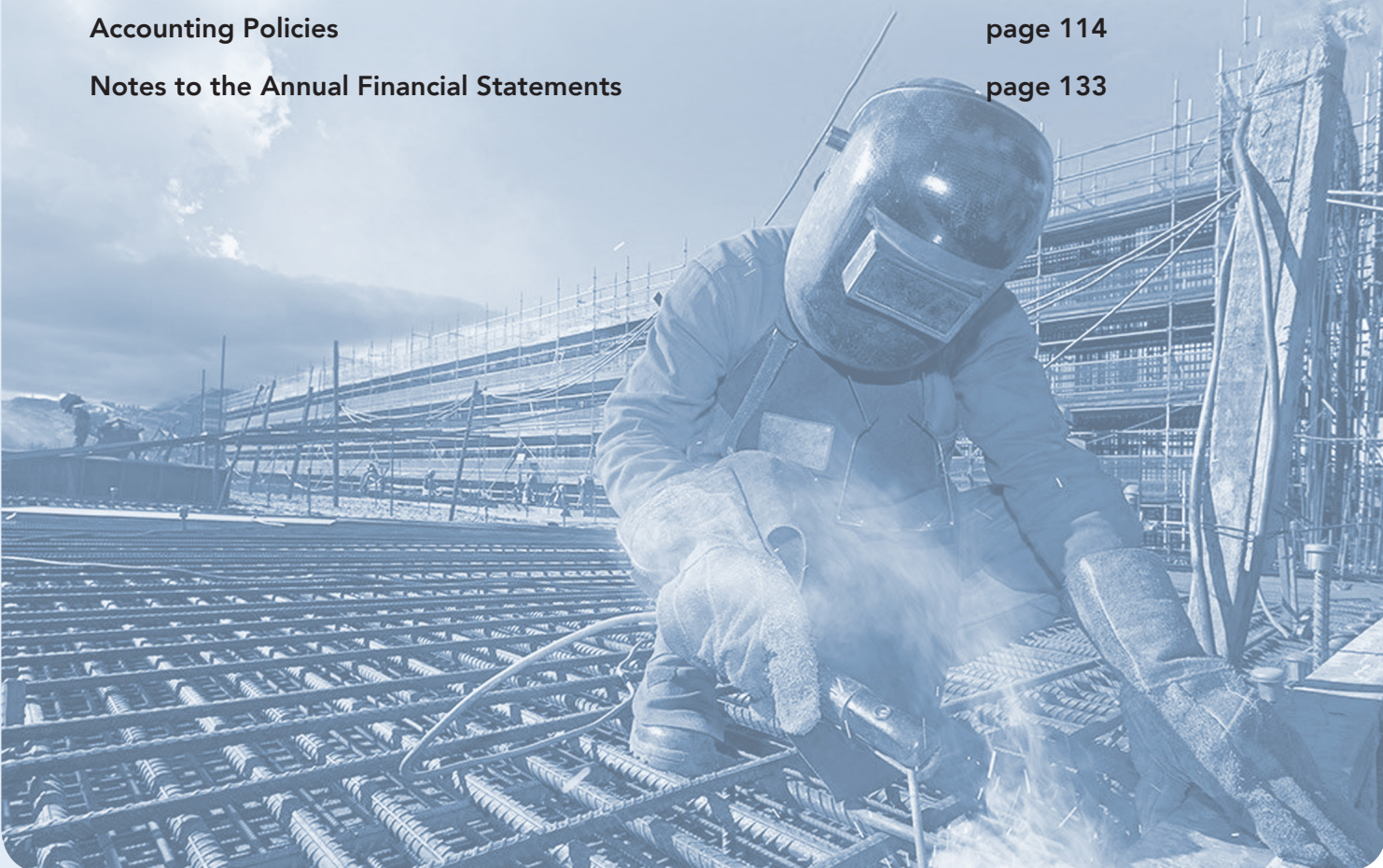
DIRECTOR-GENERAL: LABOUR

Date: 31 July 2018

PART F | FINANCIAL INFORMATION

Index

Report of the auditor-general to Parliament on the Unemployment Insurance Fund (UIF)	page 99
Accounting Authority's responsibilities and approval	page 103
Unemployment Insurance Commissioner's Report	page 104
Statement of Financial Position	page 110
Statement of Changes in Net Assets	page 111
Cash Flow Statement	page 112
Statement of Comparison of Budget and Actual Amounts	page 113
Accounting Policies	page 114
Notes to the Annual Financial Statements	page 133



Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

General Information

Nature of business and principal activities	The Unemployment Insurance Fund collects and receives under the Unemployment Insurance Fund Act (Act no. 63 of 2002). In accordance with the Unemployment Insurance Act (Act no.63 of 2001) contributions received are managed and unemployment insurance claims are managed.
Legal form of entity	The Unemployment Insurance Fund is in terms of section 48 of the Public Finance Management Act (Act no. 1 of 1999), classified as a Schedule 3 "National Public Entity".
Registered office	ABSA Tower 230 Lilian Ngoyi Street Pretoria 0001
Business address	ABSA Towers 230 Lilian Ngoyi Street Pretoria 0001
Postal address	ABSA Towers 230 Lilian Ngoyi Street Pretoria 0001
Accounting Authority	Director- General Department of Labour : Mr T Lamati
Auditors	The Auditor-General of South Africa

Report of the auditor-general to Parliament on the Unemployment Insurance Fund (UIF)

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Unemployment Insurance Fund set out on pages 104 to 213, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Unemployment Insurance Fund as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the Unemployment Insurance Fund in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of errors in the financial statements of the public entity at, and for the year ended, 31 March 2018.

Material impairment -receivables from non-exchange transactions

8. As disclosed in note 19 to the financial statements, material losses of R 99 406 000 was incurred as a result of a write-off of irrecoverable overpayment debtors.

Responsibilities of accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the accounting authority is responsible for assessing the Unemployment Insurance Fund'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 accounting authority 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

11. 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.
12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
15. 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 programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 1: Administration	37
Programme 2: Business operations	40
Programme 3: Labour activation programme	41

16. 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.
17. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:
 - Programme 1: Administration
 - Programme 2: Business operations
 - Programme 3: Labour activation programme

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

19. Refer to the annual performance report on pages 37 to 41 for information on the achievement of planned targets for the year and explanations provided for the under/over achievement of a number of targets.

Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

21. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
22. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

23. 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 sections 55(1)(a) and (b) of the PFMA. Material misstatements of the prior period error note, investments in associates, income from equity accounted investments and interest income identified by the auditors in the submitted financial statements were corrected and supporting records were provided resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

24. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R 45 734 000 as disclosed in note 36 of the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with section 5 of the SCM practice note number 3 of 2003

Other information

25. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the report by Director-General of Labour, the audit committee's report and report of the Unemployment Insurance Commissioner. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
26. 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 thereon.
27. 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 programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
28. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, 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

29. 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 findings on compliance with legislation included in this report.

Financial and performance management

30. Management did not adequately review the financial statements to ensure that the financial statements are free of material misstatements prior to submission of the financial statements for audit.
31. Daily and monthly processing and reconciliation of transactions were not always effective to ensure that the information reported in the financial statements is accurate and reliable.
32. Non-compliance with supply chain management prescripts could have been prevented had compliance been properly reviewed, monitored and control measures implemented.

Auditor - General.

Pretoria

31 July 2018



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Authority's Responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act (PFMA), (Act no. 1 of 1999) (as amended by Act no. 29 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operations and cash flows for the year ended. The Auditor-General was engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

In terms of section 55(1) of the Public Finance Management Act, the Unemployment Insurance Fund is required to comply with South African Statements of Generally Accepted Accounting Practice, unless the Accounting Standards Board approves the application of Generally Recognised Accounting Practice.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Accounting Authority acknowledges that the ultimate responsibility for the system of internal financial control established by the Fund resides with him and places considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the Unemployment Insurance Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Fund and all employees are required to maintain the highest ethical standards in ensuring the Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. Some operating risks cannot be fully eliminated. The Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures.

The Accounting Authority is of the opinion, based on the information and explanations 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 annual financial statements. Any system of internal financial control can however only provide reasonable, and not absolute, assurance against material misstatement or loss.

As Accounting Authority I reviewed the Fund's cash flow forecast for the year to 31 March 2018 and, in the light of this review and the current financial position, I am satisfied that the Fund has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on page 4 to 113 which have been prepared on the going concern basis were reviewed by the Unemployment Insurance Board on 30 May 2018 and was signed by me the Accounting Authority on recommendation of the Unemployment Insurance Board.



Director General : Department of Labour

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Unemployment Insurance Commissioner's Report

The Unemployment Insurance Commissioner submits his report for the year ended 31 March 2018.

1. General financial review of activities

Main business and operations

The Fund was established under section 4 of the Unemployment Insurance Act (Act no. 63 of 2001), hereinafter referred to as "the UI Act" administered by the Unemployment Insurance Commissioner with delegated powers from the Director-General: Labour, to provide for the payment from the Fund of unemployment benefits to certain employees, and for the payment of illness-, maternity-, adoption- and dependants benefits related to the unemployment of such employees.

The Unemployment Insurance Fund collects and receives revenue contributions under the Unemployment Insurance Contributions Act (Act no. 4 of 2002), administered by the Commissioner of the South African Revenue Services.

The Unemployment Insurance Fund's (the Fund) business model is based on a "Pay as You Go" system. There are limited risks to the financial sustainability of the Fund due to constant stream of inflows and outflows of funds. The Fund is fully reserved and conducts regular actuarial valuations to determine future financial obligations and benefits. Based on the valuation that was conducted on 31 March 2018, the Fund is in a sound financial position and will be able to meet the projected unemployment insurance claims.

The net surplus of the Fund continues to rise due to improved collection of contributions. Revenue growth projections are based on a model that tracks a combination GDP and CPI. The Fund has experienced above inflation growth rates over the last three years and continues to outperform base projections.

The surpluses of the Fund are invested through the Public Investment Corporation and the Accounting Authority approves an investment mandate on an annual basis. The investment mandate comprises of Bonds, Equities, Properties and Cash and relevant benchmarks and weights to be held in each asset class.

Net surplus of the entity was R 13,5 billion (2017: surplus R 12,5 billion).

2. Accounting policies

In terms of section 55(1) of the Public Finance Management Act, the Unemployment Insurance Fund is required to comply with South African Statements of Generally Accepted Accounting Practice, unless the Accounting Standards Board approves the application of Generally Recognised Accounting Practice.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

3. Compliance with applicable legislation

The Fund needs to comply with various sections of the Public Finance Management Act (Act no. 1 of 1999) (PFMA), Treasury Regulations, the Unemployment Insurance Contributions Act (Act no. 4 of 2002) and the Unemployment Insurance Act (Act no. 63 of 2001) with its Regulations and other relevant legislation.

Section 51(1)(a)(i) of the PFMA requires the Public Entity to have and maintain effective, efficient and transparent systems of Financial- and Risk Management and Internal Control. In an ever changing environment, additional improvements and enhancements are constantly required to improve controls and service delivery.

Section 51(1)(b)(i) of the PFMA, paragraph 31.2(a) of the National Treasury Regulations and section 12 and 13 of the Unemployment Insurance Contributions Act require collection of all revenue due to the Public Entity, and requires the levying of interest and penalties on late payments from non-SARS registered employers. The Fund recognises contribution revenue in the period in which it is measurable and probable that the economic benefit associated with the transaction will flow to the Fund.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Unemployment Insurance Commissioner's Report

The non-timely submission of employee/declaration information to the Fund by employers as required by Section 56(1) and 56(3) of the Unemployment Insurance Act prevents the Fund from determining the measurability and probability of contributions payable by employers until the consideration is actually received. This results in a limited ability to do debt collection on revenue due by non-SARS registered employers and to levy penalties and interest on revenue due. To improve on determining the measurability and probability of contributions payable by employers, revenue streams were classified in accordance with revenue stream source documents. Systems are developed to improve revenue recognition and debt collection on revenue due based on the source document information available.

The Fund implemented the U-Filing declaration and payment portal as a total online service. 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 receipt of employee remuneration information from employers directly into the Funds systems and streamline the payment of contributions in line with the declaration information. The Fund has enhanced the U-Filing system by introducing a claims application portal to enable online claims. Unemployment insurance claims processes have been simplified through an online claims process for employers and employees, aligned with the declaration information submitted. The usage of the system is significantly increasing every year, last year 21 872 claims were received via u-Filing and this has increased to 23 351 during the year under review 2017/2018. The number of employers who use the portal has also increased from 14 488 in the previous year to 18 444 in this current financial year.

Section 57(1) of the Unemployment Insurance Act requires the UIF Commissioner to create and maintain a database of contributors, beneficiaries and employers. The timely and accurate updating and maintenance of the database is reliant on receiving Employee Remuneration Information from employers. In various instances the information is captured manually. The Fund takes every precaution to ensure that capturing errors are minimised and a continuous business process was implemented to review and correct information in the database.

The Fund recognises the importance of the information captured on the database as it forms the basis for the payment of unemployment insurance claims. To obtain a level of comfort regarding the completeness, accuracy and validity of the data captured on the database the Fund implemented a process to validate the declarations.

Control measures

In addition to the system controls based on various business rules built into the SIYAYA operational system the Fund implemented various other controls. Declarations received are screened by Team Leaders in the Employee Declaration Section (EDS), the employer record is verified to ensure that the addresses matches the master record, that the form is properly and correctly completed and that dates and other fields meet business rule requirements. Declarations captured at UIF Head Office are further subjected to a random sampling by supervisors in the section and errors identified are corrected. Where employers submit declarations electronically as extracts from their payroll systems, the submissions must conform to set standards before any information is accepted and loaded into the database. This system will be further enhanced by the new Virtual Office system described above. Claimants ID numbers captured on the SIYAYA operational system are verified against the population register as an additional control. Employee information update letters are sent to employers for verification/notification and all cases where employers subsequently question the update, the information is referred to the Fund's Risk Management Unit for further investigation.

Section 35(1) of the Unemployment Insurance Act requires contributors or dependants, who received benefits that they were not entitled to in terms of this Act, or who received benefits in excess of their entitlement to repay such benefits to the Fund. Paragraph 31.1.2(e) of the National Treasury Regulations requires pursuing of debtors with appropriate rigour to ensure that amounts receivable are collected and banked promptly.

The Fund is dependent on accurate employee information declared to the Fund by employers in calculating entitled benefits. Based on available employee information the calculation can be less or more than the entitlement. Despite the application of preventative measures, instances of erroneous payments may occur due to:

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Unemployment Insurance Commissioner's Report

- Claimants obtaining new employment and continue to claim benefits (Work and Draw - main reason)
- Late or non-submission of declarations by employers in accordance with UIF requirements
- Submission of inaccurate declarations by employers
- Benefits paid in error (operational errors)

The Fund implemented an electronic adjudication function that detects transactions or entries with discrepancies (possible under- or overpayments) based on the continuous updating of employee information as declared by employers. Lists of exceptions are sent to the Provincial offices monthly for assessment and any overpayments identified are raised immediately. The system blocks further payments until the matter is resolved. Exceptions Assessors investigate these discrepancies that can result in either overpayments or underpayments being raised, in some cases the discrepancy results in non-financial transaction corrections.

The Fund implemented various mitigating processes to prevent paying benefits in error including enhanced recovery processes as discussed in the "Notes to the Annual Financial Statements", note 18 "Trade and other receivables" under "Mitigation of the risk of paying benefits in error".

Section 51(1)(b)(ii) of the PFMA requires that effective and appropriate steps be implemented to prevent, amongst other things, losses from criminal conduct. The Fund is vulnerable to fraudulent claims and dependent on employee information supplied by employers via declarations and claimants' affidavits that they are unemployed. Based on the employee information declared the Fund calculates entitled benefits and pays benefits based on the claimants' affidavits. The accuracy, completeness and timeliness of this information impacts on the correctness of the claim calculation and payment.

The Fund conducts intensive communication and marketing campaigns on an annual basis to inform employers and employees of their rights and obligations. The Fund ensures that its systems and procedures are robust to detect and prevent payments made in error and/or fraudulent payments where possible. Under- and overpayments are raised in the period it is noted.

The Fund starts with the "Recovery of benefits paid in error" as per section 35 of the UI Act when overpayments (benefits paid in error) are noted, and institutes steps in terms of section 61(6) of the UI Act to recover the loss from any outstanding benefits payable due. In addition the Fund may institute "Suspension of Contributors" as per UI Act Section 36.

The Fund constantly enhances debt collection policies and procedures since recovering benefits paid in error from claimants remains one of the Fund's major challenges. The new automated processes as explained above enhanced controls to ensure the correct payment of claims and the reduction of claims paid in error. During the financial year under review, the Fund introduced verification on all manual declarations received. The verification process is as follows:

- Confirm UI19 received is signed off by the employer who is registered on the UIF database and confirm with the employer on the system if there is any discrepancy
- Verify if declared employees on the form exist under the employer's records in the system and confirm with the employer if there is any discrepancy.
- Verify employees' details on the form with the system e.g. period of service, salary, identification numbers, name and surname and reason for termination and confirm with the employer if there is any discrepancy.
- Verify with the employer for employees that are declared for the first time at the time of the application. This verification is performed on all manual UI19's received at the time of application and normal update.

4. Spending trends

The Fund's administration budget caters for Head Office and provincial operations. The operations of the Fund are carried out at provincial offices through the Department of Labour. The expenditure at provincial offices is charged back to the Fund on a split percentage basis including the staff costs associated with personnel carrying out the functions of the UIF. The main cost drivers in the Fund during the year under review are:

- Staff costs for the over 2000 personnel that carry out UIF functions (including provincial personnel)
- Commission for collection of revenue
- Operating leases, which includes the payment for IT enablement costs
- Investment related expenses

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Unemployment Insurance Commissioner's Report

5. Capacity constraints and challenges

The Fund needs to comply with various sections of the Public Finance Management Act (Act no 1 of 1999), Treasury Regulations, the Unemployment Insurance Contributions Act (Act no 4 of 2002) and the Unemployment Insurance Act (Act 63 of 2001) as amended with its regulations.

Section 51(1)(a)(i) of the Public Finance Management Act requires the Public Entity to have and maintain effective, efficient and transparent systems of financial and Risk Management and Internal Control. In an ever changing environment, additional improvements and enhancements are constantly required to improve controls and service delivery.

Furthermore, section 51(1)(b)(i) of the Public Finance Management Act, paragraph 31.2 (a) of the Treasury Regulations as well as section 12 and 13 of the Unemployment Insurance Contributions Act require the collection of all revenue due to the public entity. Interest and penalties should be levied on late payments from employers. The Fund recognises contribution revenue in the period in which it is measurable and probable that the economic benefits associated with the transaction will flow to the Fund.

The non-timely submission of employee/declaration information to the Fund by employers as required by section 56(1) and 56(3) of the Unemployment Insurance Act prevents the Fund from determining the measurability and probability of contributions payable by employers until the actual consideration is received. This results in limited ability to perform effective debt collection on revenue due by non SARS registered employers. To improve on determining the measurability and probability of contributions payable by employers, revenue streams were classified in accordance with revenue stream source documents. Systems are developed to improve revenue recognition and debt collection on revenue based on the source document information available.

The Fund implemented the U-Filing declaration and payment portal as a total online service that is aimed at enabling online claims capability. The U-Filing system is an automated contributions and claims handling system. The automated process seeks to improve compliance to UIF legislation and service delivery to clients as follows:

- It simplifies the receipt of employee remuneration information from employers directly into the Fund's systems and also seeks to streamline the payment of contributions in line with the employee remuneration information submitted through the U-Filing Portal.
- It creates an online capability for receiving and processing claims submitted online for all clients who wish to submit their applications online through the Virtual Office portal of U-Filing.

6. New/proposed activities

The Fund continues to support government initiatives of creating decent jobs in the South African economy. As a response to the challenges of poverty and unemployment, the UI Board advised the Minister of Labour on poverty alleviation schemes that should be used to alleviate the harmful effects of unemployment among the UIF beneficiaries. In 2009, the Fund had committed R1,2 billion towards a Training Layoff Scheme and in addition recommended training programmes for unemployed UIF beneficiaries.

A review of the Funds mandate, in line with the unemployment challenges facing the country and its workforce, was necessitated by the need to play a more active role in the labour market. In pursuit of this mandate the Fund introduced Labour Activation Programmes. The Labour Activation Programmes comprises of the Training Layoff Scheme, Turnaround Solutions, and Enterprise Development which are interventions aimed to retrain workers faced with possible retrenchments and to up-skill the unemployed UIF beneficiaries.

The Unemployment Insurance Board made recommendations to the Minister of Labour on the amendments to the Unemployment Insurance Act, 63 of 2001. These amendments are aimed at improving unemployment insurance benefits for the beneficiaries and it is anticipated that they will reduce the accumulated surpluses of the Fund in the long term. The Fund will continue to exercise prudence in its management of the funds to ensure long term sustainability.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Unemployment Insurance Commissioner's Report

The Fund also allocated 20% of its investment mandate towards the Social Responsible Investment which is in the unlisted investment sphere. The main goal of these investment are to stimulate economic growth in the country through infrastructure development, decrease unemployment through job creation and job retention, facilitate empowerment, encourage transformation, support education and healthcare.

7. Roll over of funds

The Fund prepares its budget on zero bases and does not roll over its budgets from prior years.

8. Supply Chain Management

The Fund did not respond to any unsolicited proposals during the financial year under review. It is the policy of the Fund that competitive bidding processes should be followed for procurement of goods and services. The Public Finance Management Act, 1999 places certain responsibilities and obligations to the Accounting Authority regarding Supply Chain Management. The Accounting Authority of the Fund has delegated his responsibilities over the supply chain management functions to management of the Fund to ensure effective and efficient delivery of services to the beneficiaries of the UIF.

The Fund has developed Supply Chain Management policies and procedures that are used to guide and implement the provision of the Public Finance Management Act and its regulations regarding procurement activities and procurement of goods and services.

9. Audit report matters of the previous financial year

Material findings during the audit on the 2016/17 financial year with regards to performance management, investment accounting and supply chain management received major attention and drastic measures were taken to effectively address them. The UIF management embarked on "operation clean audit" campaign where all audit findings were logged on a dashboard and a manager within the office of the Commissioner was tasked to monitor implementation of management action plans to improve on audit findings. Significant improvements have been reported in this regard and this forms the basis for greater improvement in years forthcoming.

There was also a concerted effort by the Fund in the year under review on the management of organisational performance, specifically those areas that were under achieved during the 2016/17 financial year.

10. Post reporting date events

The Unemployment Insurance Board recommended various amendments to the current UI Act to improve unemployment coverage of excluded employees as well as improvements to the unemployment benefit structure. The new amendment Act was published into law in the Government Gazette on the 11 January 2017. It is expected that the new UIF amendment Act will reduce the net surplus of the Fund.

11. Future outlook and plans to address challenges

The Fund currently utilise various systems to manage its core operations, support services as well as finances. These systems are functioning well and are continuing to provide the Fund with reliable and accurate data that is used to produce financial statements. However a need has been identified by management to streamline the processes of managing the Fund in order to further enhance its service delivery capability and effectiveness within which data is produced and managed.

The current financial and operational systems will be replaced by the new SAP system with the first deployment of the finance modules during the 2018/2019 financial year. The project is expected to introduce some efficiencies in the way the Fund does its business and will improve the functioning of the operations of the Fund. The first phase will see the replacement of the core financial modules while the second phase will be the replacement of the systems that drive the core business of the Fund, namely contributions and claims management.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Unemployment Insurance Commissioner's Report

12. Auditors

The annual financial statements have been audited by the Auditor-General of South Africa, who was given unrestricted access to all financial records and related data, including minutes of all meetings of the Unemployment Insurance Board and committees of the Board. The Auditor-General of South Africa is responsible for independently reviewing and reporting on the Funds annual financial statements.

In accordance with the Public Finance Management Act (Act no. 1 of 1999 as amended by Act no. 29 of 1999), the Auditor-General remains responsible as the external auditors of the UIF.

13. Appreciation

The excellent performance of the Fund during the year under review is a reflection of the dedication and commitment of the UIF staff.

The Minister of Labour, the Deputy Minister of Labour, the Director General: Labour and the Unemployment Insurance Board were the constant source of support to the management of the Fund. It is this support that has assisted to unlock bottlenecks in the service delivery chain and ensured that all targets set by the Fund are pursued with vigour.



T. Maruping
Unemployment Insurance Fund : Commissioner

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Statement of Financial Performance

		2018	2017
	Note(s)	R '000	Restated R '000
Revenue	3	18 740 065	18 256 811
Benefit payments	4	(9 227 370)	(8 478 357)
Changes in benefits payable	4	(7 157 242)	(2 269 396)
Unemployment alleviation schemes	5	(48 673)	(145 478)
Gross surplus		2 306 780	7 363 580
Other income	6	22 169	7 657
Auditors remuneration	7	(8 143)	(6 516)
Depreciation, amortisation and impairments	8	(48 551)	(50 361)
Employee costs		(1 168 993)	(1 065 877)
Administrative costs		(468 065)	(462 193)
Other operating expenses		(430 646)	(464 114)
Operating surplus		204 551	5 322 176
Investment revenue	9	9 354 313	9 029 121
Fair value adjustments	10	3 859 251	(1 786 736)
Income from equity accounted investments	11	91 707	(13 896)
Net surplus for the year		13 509 822	12 550 665

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Statement of Financial Position as at 31 March 2018

		2018	2017
	Note(s)	R '000	Restated R '000
Assets			
Non-Current Assets			
Investment property	12	9 181	1 990
Property, plant and equipment	13	117 541	102 166
Intangible assets	14	143 573	149 455
Investment in joint ventures	15	275 041	191 688
Investments in associates	16	3 653 523	2 727 747
Investments	17	93 709 415	78 421 344
		97 908 274	81 594 390
Current Assets			
Investments	17	57 775 207	54 862 134
Receivables from exchange transactions	18	2 668	10 643
Receivables from non-exchange transactions	19	9 434	7 102
Statutory receivables	20	1 657 480	1 718 672
Cash and cash equivalents	21	2 719 018	1 297 434
		62 163 807	57 895 985
Total Assets		160 072 081	139 490 375
Net Assets and Liabilities			
Net Assets			
Technical reserves		40 928 889	38 303 768
Accumulated surplus		105 707 027	94 822 326
		146 635 916	133 126 094
Liabilities			
Non-Current Liabilities			
Provisions	24	26 434	27 739
Current Liabilities			
Payables from exchange transactions	25	291 443	350 579
Benefits payable	27	17 448	6 253
Benefits payable - technical provision	27	13 100 817	5 943 574
Derivative financial instruments	23	-	36 123
Bank overdraft	21	23	13
		13 409 731	6 336 542
Total Liabilities		13 436 165	6 364 281
Total Net Assets and Liabilities		160 072 081	139 490 375

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Statement of Changes in Net Assets

	Technical reserve R '000	Accumulated surplus R '000	Total net assets R '000
Balance as at 31 March 2016	21 621 408	98 503 433	120 124 841
Prior period adjustment (SRI : 2014/2015)	-	(5 764)	(5 764)
Prior period adjustment (SRI:2015/2016)	-	(456 362)	(456 362)
Balance at 01 April 2016 as restated*	21 621 408	98 041 307	119 662 715
Surplus for the year	-	12 550 665	12 550 665
Prior period adjustment (SRI: 2016/2017)	-	638 202	638 202
Effect of restatement	-	1 627 843	1 627 843
Technical reserves	1 499 765	(1 499 765)	-
Prior period adjustment (Provisions)	15 182 595	(16 535 926)	(1 353 331)
Total changes	16 682 360	(3 218 981)	13 463 379
Balance at 01 April 2017	38 303 768	94 822 325	133 126 093
Changes in net assets	-	13 509 822	13 509 822
Surplus for the year	-	13 509 822	13 509 822
Transfer to technical reserve	2 625 120	(2 625 120)	-
Total changes	2 625 120	10 884 702	13 509 822
Balance at 31 March 2018	40 928 888	105 707 027	146 635 915

The financial statements for the year 2016/2017 had a line item for prior error adjustment. The description was an error on the template used to compile the annual financial statements.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Cash Flow Statement

		2018	2017
	Note(s)	R '000	*Restated R '000
Cash flows from operating activities			
Cash receipts from contributors, tenants and other		18 831 790	16 795 582
Cash paid to suppliers, employees and beneficiaries		(11 568 822)	(7 554 924)
Cash generated from operations	29	7 262 968	9 240 658
Interest received from banks		46 031	36 852
Net cash flows from operating activities		7 308 999	9 277 510
Cash flows from investing activities			
Purchase of property, plant and equipment		(31 114)	(15 812)
Purchase of investment property		(7 191)	-
Purchase of other intangible assets		(26 741)	(195 543)
Proceeds from sale of other intangible assets		30 674	-
Purchase of financial assets		(46 586 744)	(50 091 531)
Proceeds from sale of financial assets		35 159 917	34 637 354
Dividends		1 288 394	1 165 873
Interest received on investment		4 285 380	2 706 707
Net cash flows from investing activities		(5 887 425)	(11 792 952)
Net increase/(decrease) in cash and cash equivalents		1 421 574	(2 515 442)
Cash and cash equivalents at the beginning of the year		1 297 421	3 812 863
Cash and cash equivalents at the end of the year	21	2 718 995	1 297 421

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget R '000	Adjustments R '000	Final Budget R '000	Actual R '000	Variance R '000	Reference
Statement of Financial Performance						
Revenue	18 701 726	1 348 437	20 050 163	18 740 065	1 310 098	
Expenditure						
Benefits payment	(8 803 089)	(1 479 888)	(10 282 977)	(9 227 370)	(1 055 607)	40.3
Changes in benefits payable	(260 275)	(2 128 796)	(2 389 071)	(8 326 471)	(5 937 399)	
Unemployment alleviation schemes	(760 000)	(129 466)	(889 466)	(48 673)	(840 793)	40.4
Gross surplus	8 878 362	(2 389 714)	6 488 648	1 137 552	(5 351 096)	
Operating surplus	-	-	-	-	-	
Other income	474 209	(472 242)	1 967	22 169	(20 202)	40.5
Audit fees	(12 900)	-	(12 900)	(8 143)	(4 757)	40.6
Administration costs	(652 992)	(55 009)	(708 001)	(468 065)	(239 936)	40.7
Depreciation, amortisation and impairments	(173 648)	(9 724)	(183 372)	(48 101)	(135 271)	40.8
Employee costs	(1 451 375)	(50 839)	(1 502 214)	(1 168 993)	(333 221)	40.9
Other operating costs	(576 645)	(299 955)	(876 600)	(430 646)	(445 954)	40.10
Total	(2 393 351)	(887 769)	(3 281 120)	(2 101 779)	(1 179 341)	
Impairment Midrand Property	-	-	-	450	(450)	
Investment revenue	9 635 362	815 925	10 451 287	9 446 020	1 005 267	40.11
Fair value adjustment	-	-	-	3 859 251	(3 859 251)	
Finance cost	3	-	3	-	3	
Technical Reserve	(1 338 324)	873 701	(464 623)	(2 625 121)	(2 160 498)	40.12
Net surplus for the year after reserving	14 782 046	(1 587 857)	13 194 189	9 715 473	3 478 716	
Capital		Approved	Adjustment	Final Budget	Actual	Variance
Capital expenditure		271 233	(48 723)	222 510	58 112	164 398

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1. Basis of preparation

In terms of section 55(1) of the Public Finance Management Act, the Unemployment Insurance Fund is required to comply with South African Statements of Generally Accepted Accounting Practice, unless the Accounting Standards Board approves the application of Generally Recognised Accounting Practice.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These accounting policies are consistent with the previous period, except for the changes set out in Note 2.

The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value less point of sale costs, and incorporate the principal accounting policies set out below.

The annual financial statements have been prepared on the going concern basis and the Fund will continue in operation and meet its statutory obligations for the foreseeable future.

The Unemployment Insurance Fund concluded that the annual financial statements present fairly the Fund's financial position, financial performance and cash flow.

1.1 Investment property

Investment property includes property held to earn rentals/capital appreciation. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria is met and excludes the cost of day to day servicing of an investment property.

Investment properties are derecognised when either they have been disposed of or when the investment property is no longer held for capital appreciation and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in surplus or deficit in the year of retirement or disposal.

Transfers are made to or from investment property when there is a change in use.

Cost model

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation less any accumulated impairment losses. Annual valuations are obtained for the purpose of testing impairments of investment properties.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Investment property - land	Indefinite
Investment property - buildings	50 years

Land has an unlimited useful life and therefore is not depreciated.

The residual value of assets are reviewed at each reporting date. If the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, the asset's depreciation charge is zero until its residual value subsequently decreases to an amount below the asset's carrying amount.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.2 Property, plant and equipment

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.

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

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

Depreciation is provided on all property, plant and equipment other than land, to write down the cost, less residual value, on a straight line basis over their useful lives.

Land has an unlimited useful life and therefore is not depreciated.

Item	Years
Land	Indefinite
Buildings	50 years
• Air conditioning	15 - 20 years
• Lifts	15 - 20 years
• Power supply	15 - 20 years
• Carpets	15 - 20 years
• Dry Walling	15 - 20 years
• Power Packs	15 - 20 years
• Demountable Partitioning	15 - 20 years
Leasehold improvements	3 years
Furniture and fixtures	6 - 10 years
Motor vehicles	5 - 10 years
Office equipment	6 - 10 years
IT equipment	3 - 5 years
Other property, plant and equipment	
• Telecom equipment	5 - 7 years

The depreciation charge for each period is recognised in surplus or deficit. Useful lives of individual assets in a category are reviewed and adjusted if appropriate at each reporting date.

The residual value of assets are reviewed at each reporting date. If the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, the asset's depreciation charge is zero until its residual value subsequently decreases to an amount below the asset's carrying amount.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the economic entity or from other rights and obligations.

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

Intangible assets are initially recognised at cost. For an intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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 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.
- 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. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

Amortisation is provided to write down computer software, on a straight line basis, to their residual values as follows:

Item	Useful life
Intellectual property	Indefinite
Computer software	1 - 5 years

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

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 is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Accounting Policies

1.4 Impairment of non-financial assets

The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

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

The recoverable service amount of an asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

The Fund assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of assets attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

With regards to intangible assets with indefinite useful lives, the Fund tests annually for impairment.

1.5 Financial assets and liabilities

The Fund has the following financial assets and liabilities: investments in equities, capital market instruments, money market instruments and derivatives which are classified as financial assets at fair value through surplus or deficit. Cash and cash equivalents, trade and other receivables are classified as financial assets at amortised cost and trade and other payables as financial liabilities at amortised cost.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or residual interest of another entity. It is evident from this definition that three elements need to be present before a financial instrument can exist, namely a contract, a financial asset and a financial liability or an residual interest.

In terms of the statement, a contract is an agreement between two or more parties that has clear economic consequences that the parties have little, if any, discretion to avoid, because the agreement is enforceable by law.

The Unemployment Insurance Fund receives contribution revenue in accordance with the Unemployment Insurance Contributions Act (Act no. 4 of 2002) and pays Unemployment Insurance benefits including the recovery of benefits paid in error in accordance with the Unemployment Insurance Act (Act no. 63 of 2001).

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 GRAP 104. The following items are accordingly presented in Note 15 and Note 22 to the annual financial statements:

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

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.5 Financial assets and liabilities (continued)

1.5.1 Classification of financial assets and liabilities

Financial assets and financial liabilities at fair value through surplus or deficit:

Financial instruments held-for-trading

These include equities, capital market instruments, money market instruments, options and all derivatives 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 statement of financial position date.

If an instrument is a non-derivative instrument with fixed or determinable payments an entity may designate non-derivative instruments with fixed or determinable payments at fair value at initial recognition when the following criteria is met:

- The designation is made at initial recognition, on an instrument by instrument basis
- A narrative description of the criteria used to designate financial assets at fair value should be provided.

Bills and promissory notes have been designated at fair value due to the money market curve valuation method that is used to value these financial assets. This is consistent with prior years.

Financial instruments at amortised cost

Investments

Investments at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Investments at amortised cost are subsequently measured using the effective interest method.

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.

Trade and other receivables

Trade 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.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.5 Financial assets and liabilities (continued)

Trade and other payables

Trade 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.

1.5.2 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 GRAP 104.

1.5.3 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.

1.5.4 Fair value measurement principles

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at reporting date. For instruments where there are no active markets the fair value of the instrument is determined using valuation techniques, including use of recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow techniques or any other valuation technique making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve, volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values. Inputs are based on market data at the statement of financial position date where other pricing models are used.

The fair value of derivatives that are not exchange-traded is estimated as the amount that the Fund would receive or pay to terminate the contract at the statement of financial position 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 are their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the statement of financial position date. If the fair value can not be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.5 Financial assets and liabilities (continued)

1.5.5 Gains and losses on subsequent measurement

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through surplus or deficit" category are presented in the statement of financial performance within "Fair value adjustment" losses/gains – net in the period in which they arise.

1.5.6 Impairment of financial assets

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets that are stated at amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of financial performance as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent year the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of financial performance. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been previously recognised.

A provision for trade receivables impairment is made when there is objective evidence (the probability of insolvency or significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired) that the Fund will not be able to collect all the amounts due under the original term of the invoice.

The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Short-term receivables are not discounted. 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 trade receivable is written off against the allowance account for trade 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.

In the case of financial assets at fair value through surplus or deficit, gains and losses arising from changes in fair value are included in surplus or deficit of the statement of financial performance.

1.5.7 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.

Accounting Policies

1.5 Financial assets and liabilities (continued)

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.

1.5.8 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".

1.5.9 Dividend income

Dividend income relating to exchange-traded equity investments is recognised in the statement of financial performance on the ex-dividend date (when the Fund's right to receive payment is established). In some cases, the Fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases the Fund recognises the dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment. Dividend income is recognised as part of "Investment Revenue".

1.5.10 Expenses

All expenses, including management fees, custodian fees and other transaction costs, are recognised in the statement of financial performance on an accrual basis.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.5 Financial assets and liabilities (continued)

1.5.11 Investments in associates

Associates are all entities over which the Fund has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In circumstances where shareholding is less than 20% but significant influence is present, entities are also classified as associated. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

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

Management accounts of investees have been utilised in the event that the associate was unable to provide signed financial statements. Loans are designated at fair value through profit and loss at initial recognition.

Accounting Policies

1.6 Non-financial assets - trade and other receivables

Disallowances (Benefits paid in error/Overpayments)

Disallowances (benefits paid in error) 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 Unemployment Insurance Act.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. (Significant changes in the disallowance debtors are when they become unemployed, and/or default or delinquent in payments more than 150 days are considered indicators that the disallowances debtor 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 debtors account. Changes in the carrying amount of the allowance account are recognised in the statement of financial performance. Subsequent recoveries of amounts previously written off are credited against "other income" in the statement of financial performance.

Legal Claims Debtors – Contributions

Legal claims debtors are initially measured at cost when employer information becomes available that the contribution debtor 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 debtors is in terms of the Unemployment Insurance Act.

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

Known Debtors

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 debtors are specific characteristics of the known debtor, the age of the debt and default on any payment arrangements should be considered as indicators that the known debtor is impaired.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.6 Non-financial assets - trade and other receivables (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of financial performance within "administrative cost". An uncollectable transactions under investigation debt is written off against the debtors account. Subsequent recoveries of amounts previously written off are credited against "other income" in the statement of financial performance.

Unknown Debtors

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

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 debtors account. Subsequent recoveries of amounts previously written off are credited against "other income" in the statement of financial performance.

Statutory receivables

Statutory receivables arises 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 UIF on reporting date through the National Revenue Account. The funds do not earn interest and the amount is payable to UIF as per the Unemployment Insurance 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 National Revenue Fund to the Unemployment Insurance Fund.

The carrying amount of the statutory receivable asset is recognised in the statement of financial position under "statutory receivables", whereas the contributions collected on behalf of the Fund, which are classified as exchange transactions are recognised and included in the statement of financial performance within "revenue".

The adoption of the policy on statutory receivables represents a change in accounting policy which lead to the reclassification of funds owed to the Fund by National Treasury from "cash and cash equivalents" to "statutory receivables"

1.7 Unemployment insurance and liabilities

Unemployment insurance is the providing of benefits under the Unemployment Insurance Act (Act no. 63 of 2001) as amended which includes unemployment benefits to qualifying employees, and the payment of illness-, maternity-, adoption- and dependants benefits related to the unemployment of such employees.

A contributor's entitlement to benefits in terms of the Unemployment Insurance Act accrues at a rate of one day's benefit for every completed six days of employment as a contributor, subject to a maximum accrual of 238 days benefits in the four year period 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 238 days in a four year cycle is calculated in accordance with "Regulation no. 98 Government Notice no. 29594" on an equal basis of 59.5 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. A graduated income replacement rate, ranging from 60% for the low-income earners to 38% for the middle and high income earners is then applied.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.7 Unemployment insurance and liabilities (continued)

For maternity claims, the maximum period of maternity leave is 17.29 weeks and 6 weeks for a miscarriage or stillbirth. The contributor may not earn more than their standard remuneration when illness-, maternity- and adoption benefits are included.

Applications must be submitted within six 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 eight weeks before childbirth, and dependants benefits within six 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.

Benefit payments are recognised on the approval of the benefit claim.

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

Unemployment insurance liabilities are recognised when employees are registered with the Unemployment Insurance Fund as contributors. The liability for unemployment insurance comprises of:

- Technical reserve - an unexpired risk reserve for contribution revenue
- Benefits payable - provision for outstanding benefits
 - Incurred but not reported (IBNR) benefits
 - Incurred but not enough reported (IBNER) benefits

Technical reserve

The Technical Reserve is set aside to cover the cost of future benefit payments in respect of contributions collected as at the valuation date. The need for this reserve arises from the four year contribution period. Based on actuarial valuation, a portion of the net surplus is allocated to the Technical Reserve on an annual basis.

The provision is not discounted.

Outstanding benefits provision

Provision is made on a best-estimate basis for the future amounts payable on all claims incurred as at the valuation date. This provision provides for:

- future payments on benefits already in payment at the valuation date – these benefits are classified as incurred but not enough reported ("IBNER"); and
- benefits incurred but not reported ("IBNR") by the valuation date.

The outstanding benefits provision is calculated at the reporting date using actuarial techniques. Adjustments to the provision are recorded in the statement of financial performance at each reporting date.

Claims handling expenses are taken into account and allowed for explicitly.

The provision is not discounted.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.7 Unemployment insurance and liabilities (continued)

1.7.1 Liability adequacy test

The sufficiency of the outstanding benefits provision is determined by conducting an experience analysis over the period since the previous valuation.

The Fund's incurred PAYG rate is used to set the level of the Technical Reserve. Use of an incurred rate reflects the ultimate cost of benefits in relation to the contributions earned in the period.

1.8 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.

1.9 Provisions and contingencies

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 entity 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 shall not be recognised for future operating losses.

1.10 Contribution revenue - revenue from exchange transactions

Contributions are collected under the Unemployment Insurance Contributions Act (Act no. 4 of 2002). Every employer and employee to whom this Act applies must, on a monthly basis contribute to the Unemployment Insurance 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.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.10 Contribution revenue - revenue from exchange transactions (continued)

Recognition and measurement

Unemployment Insurance 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 Unemployment Insurance Fund's bank accounts and/or the National Revenue Fund.

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

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

This policy is consistent with prior years.

Employee remuneration information gap

In accordance with the Unemployment Insurance Act (Act no. 63 of 2001):

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 Unemployment Insurance 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 Unemployment Insurance Act. The monthly remuneration information of employees are required to determine measurability and probability to facilitate the invoicing of contributions payable.

The **employee remuneration information gap** is significant to the extent that if revenue is recognised on available information the financial position of the Fund will not be fairly represented.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.10 Contribution revenue - revenue from exchange transactions (continued)

In terms of revenue recognition the accrual basis has not been achieved. Revenue contributions received from SARS and the UIF is recognised when measurability and probability can be determined with certainty and/or the consideration has actually been received and banked in the Unemployment Insurance Fund's bank accounts and/or the National Revenue Fund.

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 improve determination of measurability and probability to invoice contributions payable.

The Fund implemented the U-Filing declaration and payment portal as a total online service and is in the process of enhancing the U-Filing through the implementation of Virtual Office that will further enable online claims. This automation of processes seeks to improve compliance and improve service to registered employers and employees. The enhancement will assist with enforcement of non-compliant employers.

The automated processes will simplify the receiving of employee remuneration information from employers directly into the Funds systems and streamline the payment of contributions in line with the declaration information. Unemployment insurance claims will simultaneously be simplified through an online claims process for accredited employers and employees, aligned with the declaration information submitted.

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

The following revenue streams have been classified:

- SARS - Declaration and collection information
- U-Filing - Declaration and collection information
- Contribution - Legal Claims
- EFT Bank Deposits
- Cash and Cheques (UI 7)

Employee remuneration information is inaccurate and incomplete and measurability and probability cannot be determined until the consideration has actually been received.

To mitigate the "employee remuneration information gap" on the various revenue streams the Fund plans to migrate the various employer groups systematically to the enhanced U-Filing system working procedure.

Contributions receivable is accordingly not measurable and the probability cannot be determined.

1.11 Benefit payments

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

1.12 Significant judgments, estimates and assumptions

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

Derivatives

The Fund's derivatives are all Over-the-Counter derivatives (OTC) that are privately negotiated financial contracts between PIC and various financial institutions.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.12 Significant judgments, estimates and assumptions (continued)

To obtain the fair value the mark-to-model approach is used. The valuations are subjected to expected cash flows, volatility assumptions (historical volatility) time horizon, and the risk free rate of the various financial institutions underpinned by the assumption of relatively stable and liquid markets.

Outstanding benefits provision

The ultimate cost of incurred benefits is estimated using actuarial techniques, namely the Chain-Ladder and Generalised Cape Cod techniques. The principle assumption of these techniques is that the Fund's past claims experience in terms of average claims, reporting delays and settlement delays provides a reasonable guide to future such experience. The provision was increased to allow for the enhanced benefits in the Amendment Act, 2016. Allowance is made for future rates of claims inflation, but since this is the same assumption used for discounting, the combined impact on the provision is zero.

Technical Reserve

Contributions are assumed to be earned uniformly over a 4-year period assuming enhanced benefits as per the Amendment Act, 2016.

Unexpired risk liabilities and assumptions used

The average claim amount paid in the 2018 financial year is currently approximately R3 667. The average salary used for benefit purposes (i.e. capped at a maximum value) of these claimants is R7 219 per month.

Claims handling expenses (CHE) are approximately 15.66% of the value of a claim.

The PAYG rate is set at 2.248% (2017: 2.248%) of which 1.947% (2017: 1.947%) allows for the cost of benefits and 0.301% (2017: 0.301%) for claims handling expenses.

Claims handling expenses (CHE) are approximately 15.66% of the value of a claim.

The run-off pattern of claims is assumed to remain stable. No explicit assumption about claims inflation was made. While the inclusion of an explicit inflation assumption has the potential to stabilise development patterns, the claims development experience of the Fund has been very stable over the period considered. The requirement for further stabilisation was therefore considered to be negligible.

The development of claims is considered on a quarterly basis from financial year 2008.

The average salary of the claimants is R7,219 per month.

The PAYG rate is set at 2.248%(2017: 2.248%) of which 1.947%(2017: 1.947%) is contributed by the cost of benefits and 0.301%(2017:0.301%) is contributed by claims handling expenses. The PAYG rate includes allowance for the enhanced benefits under the Amendment Act 2016.

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 DPSA utilizing the net leave entitlement at reporting date multiplying it with the employee's remuneration (levels 1-10 and MMS 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.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.13 Investments in joint venture

Jointly controlled entities are all entities over which the UIF has joint control. Jointly controlled entities are accounted for using equity accounting. 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 entity'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. Additional text

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the entity'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 entity 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 entity and its jointly controlled entities are eliminated to the extent of the group'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 entity.

Management accounts of investees have been utilised in the event that the associate was unable to provide signed financial statements.

Loans are designated at fair value through profit and loss at initial recognition.

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available for sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the Statement of Financial Performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Financial Performance as they arise."

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.14 Unauthorised, irregular, fruitless and wasteful expenditure

Unauthorised, irregular, fruitless and wasteful expenditure is expenditure that is contrary to the Public Finance Management Act (Act No.1 of 1999). Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as a current asset in the Statement of Financial Position until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

1.15 Investment Management

The investment assets of the Fund are managed by Public Investment Corporation. However, in terms of their mandate the PIC appointed the following external managers to manage part of the investment portfolio.

- Mazi Capital (PTY) LTD Portfolio-Assets under management R1.69 billion
- Mergence Investment Managers (PTY) LTD - Assets under management R1.72 billion
- Mvunonala Asset Managers (PTY) LTD - Assets under management R1.66 billion
- Sentio Asset Managers (PTY) LTD - Assets under management R1.72 billion
- Robeco Asset Managers (Foreign Investors) - Assets under management R4.80 billion

1.16 Budget

The Fund aligns its budget priorities with that of National Government and the Department of Labour by ensuring the budget delivers on priorities such as efficient service delivery, poverty alleviation and building sound institutional arrangements.

The Unemployment Insurance Fund compiles its budget on a zero basis and the financial statements on the accrual basis. The budget is approved on a zero basis by classification of expenditure by nature.

The financial strategy of the Fund takes into account the requirements of the PFMA and National Treasury Regulations which requires 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 Unemployment Insurance 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 Unemployment Insurance Fund however carries the liability of future claims based on the contribution received.

Written approval is annually obtained from the National Treasury to retain surplus funds according to the PFMA Section 53 (2).

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

2018

2017
*Restated

2. Standards and Interpretations of GRAP and Changes in Accounting Policy

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board on the basis of consistent with the prior year.

- GRAP 32: Service Concession Arrangements (Grantor)
It is expected that the requirements of the Standard would not be applicable to the Fund and therefore its effect on the financial statements is not determined since the Fund is not engaged in any service concession arrangements.
- IGRAP 17: Service concession arrangements where the grantor controls a significant residual interest in an asset. It is expected that the requirements of the Interpretation would not be applicable to the Fund since the Fund is not engaged in any service concession arrangements and therefore its effect on the financial statements is not determined.
- GRAP 108: Statutory Receivables
It is expected that the requirements of the Interpretation will be applicable to the Fund. Based on industry comparison and inputs received from National Treasury, the Fund formulated an accounting policy around statutory receivables according to Directive 5 paragraph 30 issued by the Accounting Standards Board.
- GRAP 20: Related Parties
The requirements of the Standard are applicable to the Fund. Related party relationships and transactions are disclosed according to the Standard and is presented in note 37.

3. Revenue

Contributions received	18 319 973	17 838 814
Penalties and interest received from contributors	420 092	417 997
	18 740 065	18 256 811

Revenue consists of Unemployment Insurance contributions, interest and penalties received from registered employers in terms of the Unemployment Insurance Contributions Act (Act No.4 of 2002).

4. Benefit payments

Benefit payments to beneficiaries

Benefit payment- Unemployed	7 530 960	6 973 704
Benefit payment - Illness	313 286	283 496
Benefit payment - Maternity	1 039 258	909 036
Benefit payment - Adoption	769	714
Benefit payment - Dependants	343 097	311 407
	9 227 370	8 478 357

Changes in benefits payable

Changes in benefit payable	7 157 242	2 269 396
	16 384 612	10 747 753

Calculation of benefits

Section 13(3) of the Unemployment Insurance Act (Act no. 63 of 2001)

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

4. Benefit payments (continued)

The Unemployment Insurance Act (Act no. 63 of 2001) amended and the Unemployment Insurance Contributions Act (Act no. 4 of 2002) brought a complete change in the manner in which the Unemployment Insurance Fund received contributions and calculates 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 six days of employment as a contributor subject to a maximum accrual of 238 days benefit in the four year period immediately preceding the date of application for benefits in terms of the Chapter, less any days of benefit 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.

Creation and maintenance of database

Section 57 of the Unemployment Insurance Act (Act no. 63 of 2001) 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 the 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 UIF Head Office are subjected to a random sampling by the supervisors in the section and errors identified are corrected
- Declarations are updated directly from extracts of auditable payrolls of employers
- ID 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 UI19 declarations received, to obtain a level of comfort regarding the completeness, accuracy and validity of the data captured on the database. The Fund validated the declarations on which the current year claims were based on before validating previous year's due to the volume of declarations. Consistent investigations are done to look at options to enhance business processes regarding the collection and maintenance of declaration data.

5. Unemployment alleviation schemes

Training and Social Plan Funding	45 568	130 550
Training Lay-Off Scheme	3 105	14 928
	48 673	145 478

Section 48(1)(a)(iv) of the Unemployment Insurance Act, 2001 as amended

Section 48(1)(a)(iv) of the Unemployment Insurance Act, 2001 as amended stipulates that the Unemployment Insurance Board must advise the Minister on the creation of schemes to alleviate the effects of unemployment.

Training Lay-off Scheme

The UI Board recommended to the Minister of Labour who approved on 23 September 2009 to commit R1.2 billion of the Funds money for the "Training Layoff Schemes".

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

5. Unemployment alleviation schemes (continued)

“Training Layoff” is temporary suspension of work for a worker or a group of workers that will be sent for training. The scheme is aimed at companies that are in distress due to economic conditions and at workers who may be at risk of retrenchment that might become unemployment claimants.

The “Training Layoff Scheme” depends on an agreement between an employer and workers that there will be continued employment and that the employer will pay all contributions to social security benefits during the training period. The worker(s) agree to forego their normal wage, to attend the training programme and to accept a training allowance during the period of training. Employers gain a recovery period by reducing payroll costs for a period of six months and improve the skills of their workers at limited cost to the company.

The various Sector Education Training Authorities (SETA's) facilitate the training interventions. To fund the “Training Layoff Schemes” training allowance, the National Skills Fund (NSF) committed R1.2 billion and the UIF R1.2 billion and administer the payment thereof.

Applications to participate in the project go through a strict process that includes the Commission for Conciliation, Mediation and Arbitration (CCMA) and a Project Evaluation Committee (PEC) convened by the UIF.

The Fund's committed R1.2 billion to the “Training Layoff Scheme” was budgeted for expenditure over the MTEF period. The Fund signed funding agreements to the value of R179 million (2017: R172 million) since the inception of the scheme and paid R5.3 million during the year under review (2017: 14.93 million) based on withdrawal conditions. The committed funds will be disclosed as a contingent liability until the project is exhausted or cancelled and actual expenditure will be disclosed in the Statement of Financial Performance under Unemployment Alleviation Schemes.

Training and Social Plan Funding

Skilling of the unemployed in general and the UIF unemployment beneficiaries is needed in order to improve their chances to be reintegrated back into the employment environment.

The Minister of Labour approved in principle projects to provide funding to “Poverty Alleviation Schemes” including up-skilling/training to the unemployed and Social Plan funding. The Fund budgeted R889 million for up-skilling/training and Social Plan funding for the financial year ended 31 March 2018 (2017: R 803 million). The up-skilling/training and Social Plan funding are to be executed in close relationship with the Training Institutions, the various Sector Education Training Authorities (SETA's) and other Government Departments engaged in poverty/unemployment alleviation initiatives.

R605 million has been committed through funding agreements since the inception of the “Training of the Unemployed” initiative. The Fund signed funding agreements to the value of R129 million with the Mining Qualifications Authority (MQA) and the Manufacturing, Engineering and Related Services SETA (merSETA) to train 1,000 and 1,500 artisans respectively. A further R78 million was signed with the Media Information Communication and Technology SETA (MICT SETA) to train 3,000 unemployed on End-user Computing. Additional contracts to the value of R72 million were signed with the Energy and Water SETA to train 300 learners on solar geyser installation and the Transport SETA (TETA) to train 777 learners on the different artisan programmes; 140 on learnerships, 20 pilots and 100 on scuba diving. In the prior year R228 million was committed through 33 funding agreements with different TVET Colleges for Building and Civil Construction Learnerships. In the year under review a further R 87.2 million worth of four new funding agreements with different institutions.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
5. Unemployment alleviation schemes (continued)		
<p>The Social Plan is implemented through Productivity South Africa. Productivity South Africa implements Turnaround Solutions to companies that want to improve their productivity. This services has also been extended to companies that are in distress through the Training Lay-off Scheme. The three year service level agreement which was signed with Productivity South Africa according to which the UIF has committed to pay R62 million for 2016/2017 and R78.72 million for 2017/2018. R14.8 million was paid to Productivity South Africa with regards to Social Plan Funding for the year under review based on the funding conditions in the agreement (2017: R24.4 million).</p>		
6. Other income		
Rental income	2 362	3 425
Recovery on overpayment written off	17 838	7 624
Other recoveries	1 927	56
Legal settlement*	40	-
Proceeds on disposals	2	(3 448)
	22 169	7 657

Legal Settlement*

The UIF through the office the State Law Attorney accepted the offer of settlement against a plaintiff, having bought mortgage his Erf 331 Alice Municipality in security for a loan to the former Ciskei Bank. The plaintiff failed to pay the loan in full and the property was transferred to Ciskei Unemployment Insurance Fund. The State Law Attorney ruled that the matter is settled out of court by agreeing to release the plaintiff on the security subject to the claim amount being paid to UIF.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000
7. Auditors fees		
Audit Fees 2015/16		
Audit fees	-	2 193
Expenses	-	197
Audit Fees 2016/17		
Audit Fees	4 718	4 059
Expenses	104	67
Audit Fees 2017/18		
Audit Fees	3 113	-
Expenses	208	-
	8 143	6 516

The Auditor-General's budgeted audit fee for the financial year ended 31 March 2018 amounts to R12,900,000.00 (2017: R6,304,401) excluding VAT.

8. Depreciation, amortisation and impairments

Depreciation and amortisation

Buildings	707	931
Furniture and fixtures	1 030	1 007
Motor vehicles	574	480
Office equipment	221	188
IT equipment	10 042	10 208
Computer software	32 810	26 694
Leasehold improvements	1 199	1 198
Other property, plant and equipment	1 518	1 531
	48 101	42 237

Impairments loss/(reversal)

Land and Building	450	8 123
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Depreciation and amortisation

Depreciation and amortisation	48 101	42 238
Impairments loss/(reversal)	450	8 123
	48 551	50 361

No depreciation was calculated on investment property during the current year since the residual values of the properties increased to amounts greater than the carrying amounts. The depreciation charge on investment property will remain zero until the property's residual value subsequently decreases to an amount below its carrying amount.

Impairment reversal on building is as a result of an increase in the market value in comparison to the prior year valuation. Since the Fund is using the cost model, the impairment had to be reversed in order to disclose the building at cost.

9. Investment revenue

Interest revenue

Listed financial assets	8 036 937	7 803 593
Other financial assets	1 250 766	1 156 344
Bank	46 031	36 852

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
9. Investment revenue (continued)		
Interest received - other	20 579	32 332
	9 354 313	9 029 121
Investment revenue earned on financial assets by category		
Interest earned on financial assets at fair value	7 305 500	7 158 561
Dividends earned on financial assets at fair value	1 250 767	1 156 344
Interest earned on financial assets at amortised cost	798 046	714 216
	9 354 313	9 029 121
Rates of interest		
Government bonds		
Government bonds Fixed Rate	4.73 %	8.55 %
Government bonds Floating Rate	- %	3.19 %
Parastatal bonds		
Parastatal bonds Fixed Rate	0.94 %	8.63 %
Parastatal bonds Floating Rate	7.37 %	2.74 %
Corporate bonds		
- Manufacturing bonds Fixed Rate	9.49 %	7.96 %
- Service bonds Fixed Rate	9.49 %	9.57 %
- Financial bonds Fixed Rate	9.30 %	9.92 %
- Financial bonds Floating Rate	- %	4.65 %
Certificate of deposits Fixed Rate	0.10 %	8.54 %
Promissory notes Fixed Rate	4.84 %	7.86 %
Bills Fixed Rate	7.32 %	7.91 %
Fixed deposits - FNB Fixed Rate	7.02 %	6.97 %
Fixed deposits - PIC Fixed Rate	7.66 %	7.96 %
Cash and cash equivalents Floating Rate	7.37 %	6.32 %
10. Fair value adjustments		
Other financial assets		
• Investments (Designated as at FV through surplus or deficit)	3 859 251	(1 786 736)
Fair value per asset category		
Listed Equity	1 367 278	(478 072)
Bonds	2 759 292	(1 444 104)
Bills	294	1 381
Promissory Notes	1 429	2 990
Negotiable Certificates of Deposit	384	1 085
Derivatives	(484 985)	(36 123)
Social Responsible Investments	89 270	7 492
Commercial papers	-	(45)
Foreign Instruments	126 289	158 660
	3 859 251	(1 786 736)

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
10. Fair value adjustments (continued)		
<p>* The Fund continued to implement a zero cost collar derivative structure aimed at hedging R1 billion Naspers equity exposure to mitigate stock concentration risk. This hedge was approximately 25% of Naspers exposure in the internally managed portion of the equity portfolio. The cost structure was executed for an average period of 12 months, with a Nominal Exposure amount of R1 billion, for the following expiry months: Dec 2018, Jan 2019 and Feb 2019.* Independent valuations of all the Social Responsible Investments were performed as at 31 March 2018 and all the market values adjusted.</p>		
11. Income from equity accounted investments		
Income from Joint Ventures		
Kefolile Consumer Brands (Pty) Ltd	6 966	(9 604)
Income from Associates		
Clinix Health Group (Pty) Ltd	1 577	-
Daybreak Farms (Pty) Ltd	53 702	(65 168)
Educor Property Holdings (Pty) Ltd	19 165	18 055
Gurb Investments (Pty) Ltd	(1 403)	(301)
Kefolile Health Investments (Pty) Ltd	(85 332)	(31 802)
Musa Group Pty Ltd	(7 313)	1 674
Razorite Health & Rehabilitation Fund en Commandite Partnership	22 772	32 493
Resultant Finance (Pty) Ltd	3 984	283
Trans African Concessions (Pty) Ltd	32 756	6 191
The SA SME Fund Ltd	(2 222)	-
South Point Management Services (Pty) Ltd	32 116	18 962
UIF Afgri-Fund 1 en Commandite Partnership	14 939	15 321
Total	84 741	(4 292)
Net Income from Equity Accounted Investments	91 707	(13 896)

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

12. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	9 990	(809)	9 181	2 799	(809)	1 990

Reconciliation of investment property - 2018

	Opening balance	Additions	Total
Investment property	1 990	-	1 990
Work-in-progress	-	7 191	7 191
	1 990	7 191	9 181

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	1 990	1 990

Included in work in progress for the year ended 31 March 2018 is the amount of R 2,688,785.06 for Bisho and R 4,502,137.83 for Thohoyandou.

Details of property

ERF 895 (a portion of erf 252) Bisho

- Purchase price: 1 December 2008	41	41
- Additions since purchase or valuation	818	818
	859	859

Portion 4 and 5 (remainder extent) of ERF 43, Thohoyandou.

- Purchase price: 1 December 2008	1 940	1 940
- Additions since purchase or valuation	-	-
	1 940	1 940

Details of valuation

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

12. Investment property (continued)

Erf 895 (a portion of erf 252) Bisho

The effective date of the valuation was 31 March 2018. The market valuation was performed by Knight Frank KZN (Pty) Ltd, as professional registered valuers. Knight Frank KZN (Pty) Ltd are 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 income capitalisation method together with market research in the direct vicinity of the property. Knight Frank KZN (Pty) Ltd certified that the market value of the property was R 11 200 000 as at 31 March 2018.

Portion 4 and 5 (remainder extent) of Erf 43, Thohoyandou

The effective date of the valuation was 31 March 2018. The market valuation was performed by Quadrant Properties (Pty) Ltd, a professional registered valuer. Quadrant Properties (Pty) Ltd are 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 income capitalisation method together with market research in the direct vicinity of the property. Quadrant Properties (Pty) Ltd certified that the market value of the property was R 14 000 000 as at 31 March 2018.

13. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	63 786	(8 573)	55 213	35 025	(3 507)	31 518
Buildings	62 180	(20 517)	41 663	57 204	(19 810)	37 394
Furniture and fixtures	15 786	(10 409)	5 377	14 083	(9 378)	4 705
Motor vehicles	3 004	(1 425)	1 579	3 004	(851)	2 153
Office equipment	2 723	(1 808)	915	2 691	(1 587)	1 104
IT equipment	36 910	(28 435)	8 475	36 652	(18 393)	18 259
Leasehold improvements	3 596	(2 796)	800	3 593	(1 597)	1 996
Other property, plant and equipment	7 576	(4 057)	3 519	7 576	(2 539)	5 037
Total	195 561	(78 020)	117 541	159 828	(57 662)	102 166

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Impairment loss	Impairment reversal	Total
Land	31 518	28 571	-	(5 066)	-	55 023
Buildings	37 394	-	(707)	-	4 617	41 304
Work-in-progress	-	549	-	-	-	549
Furniture and fixtures	4 705	1 702	(1 030)	-	-	5 377
Motor vehicles	2 153	-	(574)	-	-	1 579
Office equipment	1 104	32	(221)	-	-	915
IT equipment	18 259	258	(10 042)	-	-	8 475
Leasehold improvements	1 996	2	(1 198)	-	-	800
Other property, plant and equipment	5 037	-	(1 518)	-	-	3 519
	102 166	31 114	(15 290)	(5 066)	4 617	117 541

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	35 025	-	-	-	(3 507)	31 518
Buildings	46 353	-	(3 636)	(707)	(4 616)	37 394
Furniture and fixtures	3 517	2 208	(888)	(132)	-	4 705
Motor vehicles	2 633	-	-	(480)	-	2 153
Office equipment	782	535	(139)	(74)	-	1 104
IT equipment	15 408	13 066	(1 629)	(8 586)	-	18 259
Leasehold improvements	3 194	-	-	(1 198)	-	1 996
Other property, plant and equipment	6 564	3	(132)	(1 398)	-	5 037
	113 476	15 812	(6 424)	(12 575)	(8 123)	102 166

Work in progress

Included in the property, plant and equipment additions for the Financial year ended 31 March 2018 is an amount of R 359,671.21 for refurbishment of 94 WF Nkomo street and R 189,673.20 for the development of Sunnyside.

Repairs and maintenance

The following repairs and maintenance expenditure of R 1,217,919.91 in 2017/2018 (2016/2017:R3,258,982.63) has been incurred.

Fully depreciated assets

The Fund tends to retain its assets even though they are fully depreciated assets and are still in use. Indicating a zero value until such time that the UIF Head Office is built. The relevant information available, namely the extended lease agreement with the current landlord and the construction start date of the new building will be given an indication that the planned replacement of these assets, along with the relevant funding will only be available in 2 years. The Fund does not wish for the excessive cost to be incurred for the replacement of the assets that will not be appropriate in the structure of the new building.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

13. Property, plant and equipment (continued)

During the 2016/17 audit disposal of carpets and dry-walling was incorrectly classified as depreciation reversal.

Previously stated : Depreciation reversal R 3,635,704.32

Currently stated : Disposal: R 3, 635,704.32.

Details of properties

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

Details of valuation:

The effective date of the valuation was 31 March 2018. The market valuation was performed by M Fitchet, professional registered valuers.

The valuation was based on the income capitalisation method together with market research in the direct vicinity of the property. M Fitchet certified that the present day market value of the property was R90,300,000 as at 31 March 2018.

Erf 34, Randjespark, Extension 30, Midrand

Details of valuation:

The effective date of the valuation was 31 March 2018. The market valuation was performed by P Parfitt professional registered valuers.

The valuation was based on the income capitalisation method together with market research in the direct vicinity of the property. P Parfitt certified that the present day market value of the property was R8,000,000 as at 31 March 2018.

Erf 834 Portion 50, Sunnyside, Pretoria

Details of valuation:

The effective date of the valuation was 31 March 2018. The market valuation was performed by M Fitchet, professional registered valuers.

The valuation was based on the income capitalisation method together with market research in the direct vicinity of the property. M Fitchet certified that the present day market value of the property was R22,500,000 as at 31 March 2018.

Erf 1431 and 1432, Sunnyside, Pretoria

Details of valuation

The effective date of the valuation was 31 March 2018. The market valuation was performed by M Fitchet professional registered valuers.

The valuation was based on the income capitalisation method together with market research in the direct vicinity of the property. M Fitchet certified that the present day market value of the property was R4,000,000 as at 31 March 2018.

Erf 82 and 83 Sunnyside, Pretoria

Details of valuation

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

13. Property, plant and equipment (continued)

The effective date of the valuation was 31 March 2018. The market valuation was performed by M Fitchet professional registered valuers

The valuation was based on the income capitalisation method together with market research in the direct vicinity of the property. M Fitchet certified that the present day market value of the property was R21,400,000 as at 31 March 2018.

14. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	96 883	(37 257)	59 626	120 619	(30 562)	90 057
Other intangible assets	83 947	-	83 947	59 398	-	59 398
Total	180 830	(37 257)	143 573	180 017	(30 562)	149 455

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software, other	88 736	2 450	-	(32 810)	58 377
Work-in-progress	1 507	-	(258)	-	1 249
Intellectual Property	59 398	24 549	-	-	83 947
	149 641	26 999	(258)	(32 810)	143 573

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	87 244	151 049	(124 739)	(24 818)	88 736
Work-in-progress	-	1 507	-	-	1 507
Intellectual Property	14 718	44 680	-	-	59 398
	101 962	197 236	(124 739)	(24 818)	149 641

Intellectual property

The Fund developed various computer applications (Intellectual Property) that will enable the Fund to automate processes that will simplify the receipt of employee remuneration information from employers directly into the Funds systems and streamline the payment of contributions in line with the declaration information. Unemployment claims will simultaneously be aligned through an online claims process.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

15. Investment in Joint Ventures

2018
Unlisted
Total R 275,041,324.13

Description	Opening Balance R'000	Acquisition Equity R'000	Profit for the year R'000	Dividends R'000	Total
Kefolile Consumer Brands (Pty) Ltd.	191 688	-	6 966	(5 523)	193 131
Matseke Medical CC	-	81 911	-	-	81 911
	191 688	81 911	6 966	(5 523)	275 042

The UIF has the following significantly jointly controlled entity that is equity accounted :

Kefolile Consumer Brands (Pty) Ltd has a year of 30 June. The year end is different because the entity deems its year end the most suitable for its other stakeholders for decision making purposes.

Name of the company

Kefolile Consumer Brands (Pty)Ltd.

Principal place of business	Nature of business	Dividends R000	%Holding	Fair Value R000
South Africa	Investment Holdings Special Purpose Vehicle	5 523	50	-
South Africa	Health Care	-	51	81 911
		5 523	101	81 911

Matseke Medical CC

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

15. Investment in Joint Ventures (continued)

Name of the company R'000

	Kefolile Consumer Brands (Pty)Ltd : 31 March 2018	Matseke Medical Consultant CC : 31 March 2018
Current Assets	12 525	1
Non-Current Assets	406 000	-
Current Liabilities	(3 600)	(1)
Non-Current Liabilities	(406 000)	-
Revenue	19 458	-
Surplus/Deficit	13 931	-

Kefolile Consumer Brands (Pty)Ltd received a shareholder loan from UIF valued at R203 000 000, at 0% interest maturing on 31 December 2026. The fair value of the loan Kefolile Consumer Brands (Pty)Ltd was R 230,000,000 (un-impaired) and R 116,587,443 (recoverable).

2017

Unlisted

R 191,687,758.55

Name of the company

	Opening Balance R'000	Acquisition Equity R'000	Profit for the year R'000	Dividends R'000	Loan Acquisition R'000	Closing Balance R'000
Kefolile Consumer Brands (Pty)Ltd	-	-	(9 604)	(1 708)	203 000	191 688

The UIF has the following significantly jointly controlled entity that is equity accounted :

Kefolile Consumer Brands(Pty) Ltd has a year end of 30 June. The year end is different because the entity deems its year end the most suitable for its other stakeholders for decision making purposes.

Fair value

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

15. Investment in Joint Ventures (continued) Name of the company

Kefolile Consumer Brands (Pty) Ltd.

Principal Place of Business	Nature of Business	Dividend R'000	Shareholding	Fair Value R'000
South Africa	Investment Holdings Special Purpose Vehicle	1 708	50.00 %	106

Summary Financial Information

Current Assets	
Non-Current Assets	
Current Liabilities	
Non-Current Liabilities	
Equity/Net Asset/(Net Liabilities)	
Revenue	
Surplus/Deficit	
Interest Revenue	

Kefolile Consumer Brands (Pty) Ltd 2017	
R'000	
	3 640
	369 373
	(4 175)
	(419 925)
	(51 088)
	13 641
	(43 218)
	-

Kefolile Consumer Brands (Pty) Ltd received a shareholder loan from UIF fair valued at R203 000 000 as at 31 March 2017, the loan is maturing on 31 December 2026.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates

2018

Unlisted

R 3,653,523,678.41

UIF has the following significant associates that are equity accounted:

Description R'000	Opening Balance	Acquisitions/(Disposals) Equity	Impairments	Profit for the year	Preference shares acquisition	Debenture disposal	Loan acquisition	Loan disposal	Dividends	Closing Balance
Daybreak Farms (Pty)Ltd	355 464	-	-	53 702	670 381	(383 500)	(99 930)	-	-	596 117
Educor Property Holdings (Pty) Ltd	373 026	-	-	19 165	-	-	-	-	-	392 191
GURB Investment (Pty) Ltd	43 199	-	-	(1 403)	-	-	-	-	-	41 796
Kefolile Health Investment(Pty)Ltd	368 838	-	-	(85 332)	-	-	-	-	(9 412)	274 094
South Point Management Services (Pty)Ltd	351 055	-	-	32 117	-	-	-	-	-	383 172
Rezorite Health and Rehabilitation Fund en Commandite Partnership	217 214	32 176	-	22 772	-	-	-	-	-	272 162
Resultant Finance (Pty) Ltd	7 783	-	-	3 984	-	-	312 100	-	(600)	323 267
UIF Afri Fund 1 en Commandite Partnership	313 159	175 394	-	14 939	-	-	-	-	-	503 492
Musa Group (Pty) Ltd	249 675	-	-	(7 313)	-	-	-	-	-	242 362
Trans African Concessions (Pty)Ltd	448 335	-	-	32 756	-	-	-	-	(22 092)	458 999
The SA SME Fund Limited	-	30 000	-	(2 222)	-	-	-	-	-	27 778
Clinix Health Group (Pty)Ltd	-	136 518	-	1 577	-	-	-	-	-	138 095
	2 727 748	374 088	-	84 742	670 381	(383 500)	212 170	-	(32 104)	3 653 525

UIF has the following significant associates that are equity accounted

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates (continued)

Description	Principal Place of Business	Nature of business	Dividends	Shareholding Fair Value
Daybreak Farms (Pty)Ltd	South Africa	Farming	- 12 to 33%	-
Educor Property Holdings (Pty) Ltd	South Africa	Property owning & development company	- 42%	190 968
GURB Investment (Pty) Ltd	South Africa	Special Purpose Vehicle for Investment	- 10%	3 590
Kefolile Health Investment(Pty)Ltd	South Africa	Health Care Company	9 414 30%	-
South Point Management Services (Pty)Ltd	South Africa	Student Accommodation	- 40%	422 000
Rezorite Health and Rehabilitation Fund en Commandite Partnership	South Africa	Health Care Company	- 21.43%	264 668
Resultant Finance (Pty) Ltd	South Africa	Asset Rentals	600 15%	16 100
Trans African Concessions (Pty)Ltd	South Africa	Road Infrastructure	22 092 12.35%	2 629 000
Musa Group(Pty)Ltd)	South Africa	Financial Services	- 15%	314 438
The SA SME Fund Limited	South Africa	Various	- 21.47%	24 910
Clinix Health Group (Pty)Ltd	South Africa	Health Care	- 20%	136 518
UIF Agri Fund 1 en Commandite Partnership	South Africa	Agriculture	- 100%	519 104
			32 106	4 521 296

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates (continued)

Preference shares with associates

Description	Preference shares	Nature of business	Profit for the year	%Holding	Fair Value R'000
GURB Investment (Pty) Ltd	South Africa	Special purpose vehicle for investments	-	10	51 190
Educor Property Holdings (Pty) Ltd	South Africa	Property owning development	-	42	145 000
			-	-	196 190

UIF has preference shares issued by GURB Investment (Pty) Ltd valued at R51,190,319.00 interest is prime rate + margin compounded monthly. The preference shares are valued using discounted cash flows.

UIF has callable redeemable B preference shares issued by Educor Property Holdings (Pty) Ltd valued at R145 000 000 interest at 0%, redeemable after 5 years. The preference shares are accounted for using discounted cash flows. UIF converted the loan to Day Break Farms (Pty) Ltd to a non-cumulative redeemable participating "A" preference shares, interest is prime plus 400 basis points. The conversion value was R 119 228 642. UIF converted the debenture issued by Day Break to a non-cumulative redeemable participating "B" preference shares, interest is prime plus 400 basis points. The conversion value was R 551 152 680.

All associates share the same year end as the holding company except Educor Property Holdings(Pty) Ltd - 31 December, Kefolile Health Investments (Pty) Ltd - 30 June, Razorite Health and Rehabilitation Fund en Commandite Partnership - 28 February, Resultant Finance (Pty)Ltd - 28 February, Clinix Health Group - 30 September, The SA SME Fund Limited - 28 February and UIF Afgri-Fund 1 en Commandite Partnership - 31 December. The year ends are different because the entities deem their year ends the most suitable for their other stakeholders for decision making purposes.

Daybreak Farms (Pty) Ltd and Resultant Finance (Pty) Ltd had significant influence because they had material transactions with the UIF.

Gurb Investments (Pty) Ltd had significant influence because it had significant voting rights.

UIF did not have significant voting rights in UIF Afgri-Fund 1 en Commandite Partnership. The significant voting rights are with Futuregrowth Afgri-Fund (SA) - 1 GP (Pty) Ltd therefore the investment has been classified as an associate.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates (continued) Summarised financial statements R'000

	Daybreak Farms(Pty)Ltd: Management accounts as at 31 March 2018	GURB Investment Ltd : 31 March 2018	Educor Property Holdings (Pty) Ltd : 31 December 2017	Kefolile Health Investment (Pty)Ltd : Management accounts 31 March 2018
Current Assets	702 566	1 347	316 904	117 414
Non-Current Assets	784 657	135 000	1 655 925	880 864
Current Liabilities	(243 768)	(18 381)	(147 512)	(14 222)
Non-Current Liabilities	(370 225)	(87 000)	(1 089 859)	(1 369 000)
Equity/Net Asset/Net Liability	873 230	30 966	(720 179)	(356 499)
Revenue	2 619 567	-	149 616	44 960
Surplus/Deficit	282 643	(14 034)	45 631	(284 441)

UIF has a senior loan with Daybreak Farms (Pty) Ltd was converted to preference shares during the year

UIF has a debenture with Daybreak Farms (Pty) Ltd valued was converted to preference shares during the year.

UIF issued a senior loan to Kefolile Health Investments (Pty) Ltd worth R411 000 000 with 0% interest and the maturity date is 26 July 2016.

UIF has a loan with Musa Group (Pty) Ltd valued at R 314 438 051, interest is prime + 1% and is payable on 18 January 2027

UIF has a four loans with Resultant Finance (Pty) Ltd valued at R 170 494 450, R 22 128 790, R72 043 678, R 57 085 868 (Total R 321 752 786)

Summarised financial statements R'000

	Rezorite Health and Rehabilitation Fund en Commandite Partnership: 31 March 2018	Resultant Finance (Pty) Ltd: Management Accounts March 2018	South Point Mgt Services (Pty)Ltd - 28 February 2018	UIF Afri Fund 1 en Commandite Partnership: 31 December 2017	Trans African Concessions (Pty)Ltd: Management accounts 31 March 2018
Current Assets	73 913	78 770	76 045	98 569	1 976 229
Non-Current Assets	1 236 788	2 608	1 485 097	422 489	3 798 470
Current Liabilities	(1 985)	(28 797)	(103 968)	(2 534)	(1 372 680)
Non-Current Liabilities	(1 308 716)	(7 639)	(529 994)	-	(2 328 557)
Equity/Net Asset/Net Liability	-	42 333	927 179	518 523	2 073 463
Revenue	145 006	35 093	168 593	28 067	1 228 137
Surplus/Deficit	106 261	6 765	80 293	14 939	119 310

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates (continued)

Summarised financial statements R'000

	Musa Group (Pty)Ltd: Management accounts as at 28 February 2018	The SA SME Fund Limited : Draft 28 February 2018	Clinix Health Group (Pty) Ltd: Management s Accounts 31 March 2018
Current Assets	525 055	125 050	-
Non-Current Assets	1 603 298	570	-
Current Liabilities	(443 470)	(10 699)	-
Non-Current Liabilities	(1 585 125)	(64)	-
Equity/Net Asset/Net Liability	99 759	114 858	-
Revenue	137 915	6 599	-
Surplus/Deficit	(48 754)	(24 803)	-
Earnings before interest and dividends	-	-	31 531

UIF has a senior loan with Daybreak Farms (Pty) Ltd was converted to preference shares during the year.

UIF has a debenture with Daybreak Farms (Pty) Ltd valued was converted to preference shares during the year.

UIF issued a senior loan to Kefolile Health Investments (Pty) Ltd worth R411 000 000 with no interest and the maturity date is 26 July 2016. UIF has a loan with Musa Capital (Pty) Ltd valued at R 314 438 051, interest is prime + 1% and is payable on 18 January 2027. UIF has four loans with Resultant Finance (Pty) Ltd valued at R 170 494 450, R 22 128 790, R72 043 678, R 57 085 868 (Total R 321 752 786).

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates (continued)

2017

Unlisted

Total R 2,727,747,970.53

UIF has the following significant associates that are equity accounted:

Description R'000

Description	Opening Balance	Acquisitions (Disposals) equity	Profit for the year	Preference shares acquisition	Loan acquisition	Dividends	Closing Balance
Daybreak Farms (Pty)Ltd	420 633	-	(65 168)	-	-	-	355 465
Educor Property Holdings (Pty) Ltd	354 971	-	18 056	43 500	-	-	416 527
GURB Investment (Pty) Ltd	-	-	(301)	-	-	-	(301)
Kefoile Health Investment(Pty)Ltd	-	-	(31 802)	-	411 000	(10 360)	368 838
South Point Management Services (Pty)Ltd	332 093	-	18 962	-	-	-	351 055
Rezorite Health and Rehabilitation Fund en Commandite Partnership	95 117	89 604	32 493	-	-	-	217 214
Resultant Finance (Pty) Ltd	-	7 500	283	-	-	-	7 783
UIF Afri Fund 1 en Commandite Partnership	220 603	77 235	15 321	-	-	-	313 159
Musa Group (Pty) Ltd	248 001	(1)	1 674	-	-	-	249 674
Trans African Concessions (Pty)Ltd	-	443 342	6 191	-	-	(1 198)	448 335
	1 671 418	617 680	(4 291)	43 500	411 000	(11 558)	2 727 749

Description

Description	Principal Place of Business	Nature of business	Dividends	Shareholding	Fair Value
Daybreak Farms (Pty) Ltd	South Africa	Farming	-	12.00 %	-
GURB Investment (Pty) Ltd	South Africa	Special Purpose Vehicle for Investment	-	10.00 %	-

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates (continued)

Educor Property Holdings (Pty) Ltd	South Africa	Property owning & development company	-	42.00 %	165 549
Kefolile Health Investment (Pty) Ltd	South Africa	Health Care Company	10 360	30.00 %	-
Rezorite Health & Rehabilitation Fund en Commandite Partnership	South Africa	Health Care Company	-	21.43 %	218 030
Resultant Finance (Pty) Ltd	South Africa	Asset Rentals	-	15.00 %	10 600
South Point Mgt Services	South Africa	Student Accommodatio n	-	40.00 %	388 700
UIF Agri-Fund 1 en Commandite Partnership	South Africa	Agriculture	-	100.00 %	329 346
Musa Group (Pty) Ltd	South Africa	Financial Services	-	15.00 %	280 922
Trands African Concessions (Pty)Ltd	South Africa	Road Infrastructure	1 198	12.34 %	167 400
			11 558	297.77 %	1 560 547

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates (continued) Preference Shares with associates

GURB Investment (Pty) Ltd

Principal place of business	Nature of business	Dividends	Shareholding Fair Value
South Africa	Special Purpose Vehicle for Investment	-	10.00 %
South Africa	Property owning & development company	-	42.00 %
			145 000
		-	52.00 %
			192 710

Educor Property Holdings (Pty) Ltd

UIF has preference shares issued by Gurb valued at R47 710 693, interest is prime rate + margin compounded monthly. The preference shares are valued using discounted cash flows. UIF has loan with Kefolile Health Investments (Pty) Ltd, the loan was valued at R411 000(unimpaired) and R411 000(recoverable). UIF has callable redeemable B preference shares issued by Educor valued at R145 000 000, interest at 0%, redeemable after 5 years. They are valued using discounted cash flows.

All associates share the same year end as the holding company except Educor Property Holdings - 31 December, Kefolile Health Ascendis Health (Pty) Ltd - 30 June, Razorite Health and Rehabilitation Fund - 28 February, Resultant Finance Equity - 28 February and UIF Agrifund - 31 December. The year ends are different because the entities deem their year ends the most suitable for their other stakeholders for decision making purposes.

Daybreak Farms(Pty)Ltd and Resultant had significant influence because they had material transactions with the UIF .

Gurb Investment Holdings (Pty) Ltd had significant influence because it had significant voting rights

UIF did not have significant voting rights in UIF Agrifund 1 en Commandite Partnership . The significant voting rights are with Futuregrowth Agri-Fund South Africa therefore the investment has been classified as an associate.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

16. Investments in associates (continued) Summary of Financial Information R'000

	Daybreak Farms(Pty)Ltd: 31 March 2017	GURB Investment (Pty) Ltd: 31 March 2017	Educor Property Holdings (Pty) Ltd: 31 December 2016	Kefolile Health Trands African Concessions (Pty)Ltd: 31 July 2017
Current Assets	544 773	2 697	342 784	869
Non-Current Assets	838 188	105 000	1 033 272	1 175 066
Current Liabilities	(777 190)	(10 210)	(85 510)	(2 098)
Non-Current Liabilities	(1 639 020)	(87 000)	(585 107)	(1 369 000)
Equity/Net Asset/Net Liability	(1 033 249)	10 486	705 440	(195 163)
Revenue	2 037 267	-	105 345	72 804
Surplus/Deficit	(543 070)	(4 513)	42 989	(145 960)

Summary of Financial Information R'000

	Rezortite Health & Rehabilitation Fund(Pty) Ltd : 28 February 2017	South Point Mgt Services Fund 1 en (Pty) Ltd: 28 February 2017	UIF Agri-Commandite Partnership: 31 December 2016	Musa Group (Pty) Ltd: 31 February 2017
Current Assets	59 474	19 515	55 517	53 296
Non-Current Assets	961 489	2 357	1 098 318	269 293
Current Liabilities	(3 558)	(624)	(186 985)	(2 629)
Non-Current Liabilities	(1 017 406)	(1 472)	(119 963)	-
Equity/Net Asset/Net Liability	-	19 775	846 887	319 960
Revenue	195 776	9 765	166 587	27 611
Surplus/Deficit	151 622	4 521 R	47 405 R	15 321 R

- UIF issued a senior loan with Daybreak Farms(Pty) Ltd valued at R113 247 706 interest is prime - margin and is repayable in 10 years on 27 May 2025.
- UIF has issued debenture with Daybreak Farms(Pty) Ltd valued at R127 016 614 interest of 15% and it matures in 10 years on 27 May 2025.
- UIF issued a senior loan to Kefolile Health Investments (Pty)Ltd valued R411 000 000 with no interest and the maturity date is 26 July 2016.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
17. Investments		
Designated at fair value		
Listed shares	41 398 291	39 902 694
Bonds	89 947 230	76 628 755
Bills and Negotiable Certificates of Deposits	2 030 848	1 308 035
Promissory Notes	1 371 288	1 374 019
Derivative 1	106 964	-
	134 854 621	119 213 503
At amortised cost		
Loans and receivables	5 792 812	3 527 044
Investment income receivable	244 473	220 980
Fixed deposits	10 592 716	10 321 951
	16 630 001	14 069 975
Total investments	151 484 622	133 283 478
Non-current assets		
At fair value through surplus or deficit	87 916 603	74 894 300
At amortised cost	5 792 812	3 527 044
	93 709 415	78 421 344
Current assets		
At fair value through surplus or deficit	46 938 018	44 319 203
At amortised cost	10 837 189	10 542 931
	57 775 207	54 862 134
	151 484 622	133 283 478

18. Receivables from exchange transactions

Rent receivable	1 189	3 750
Provision for impairment of rental debtors	(268)	(336)
Sundry debtors	139	1 457
Provision for impairment of sundry debtors	(37)	(1 335)
PPP Reinvestment Fund	370	324
Bank interest receivable	1 418	6 770
Uncleared bank deposits	(143)	13
	2 668	10 643

Disallowances/overpayments debt

Disallowances/overpayments debt balance decreased from R188,384,777.80 in 2016/17 to R137,369,945.48 in 2017/18 due to the recovery of overpayment debt.(2016/17: 11.3% to : 2017/18 27%)

Risk of paying benefits in error

Inherent business risk of paying benefits in error with reference to the Unemployment Insurance Act:

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

The UI Act proclaims:

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

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

The accuracy, completeness and timeliness of the information in the UIF declaration database impacts on the correctness of the calculation of benefits and payments. Based on available employee information the calculation can be less or more than the entitlement, which creates possible liabilities or debtors 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 Unemployment Insurance Fund's claims approval process requires affidavits from the applicants that at the time of application for unemployment benefits he/she "is not in receipt" of benefits from the Compensation Fund and is unemployed.

The lack of timely employee information and misrepresentation from claimants' compromise controls to prevent claims been paid to claimants whilst "in receipt" of benefits from the Compensation Fund and is employed. The Fund confirms with the Compensation Fund where possible whether claimants are in receipt of Compensation Benefits.

Adjudication/Updated employee information received

Electronic adjudication functionality was introduced by the Fund to enable detection of transactions or entries with discrepancies when updated employee information is received from the employer. Exceptions Assessors investigation reveal that these discrepancies results in either overpayments or underpayments being raised, in some cases the discrepancy results in no financial transaction or correction required. The underpayments raised as a liability 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.

Overpayment Policy

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

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 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 R64,556,665.49; in set-offs R61,667,580.10 and bank deposits R2,889,085.39. For the financial year ending 31 March 2017 the Fund collected R60,757,926.74 in total; set-offs R56,523,811.79 and bank deposits R4,234,114.95

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

Receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2018, R 227,714.55 - (2017: R 1,938,026-) were past due but not impaired.

The amounts past due but not impaired are as follows:

PPP Re-Investment Fund	370	324
Bank interest receivable	1 418	6 769
Uncleared bank deposits	(143)	13
	1 645	7 106

No provision for impairment was made for the PPP Reinvestment Fund as the funds are held in a deposit bank account. No provision for impairment was made on bank interest receivable due to the fact that the interest is received within days in the new financial year.

Uncleared bank deposits at year-end are cleared within seven days in the new financial year.

Receivables from exchange transactions impaired

As of 31 March 2018, trade and other receivables - "rent receivable" of R1,188,743.55 were impaired with R 268 245.01 (2017 : R 3,750,405.96 were impaired with R 335, 524.98).

The ageing of trade and other receivables - "rent receivable" is as follows:

0 to 3 months	108	1 557
3 to 6 months	182	332
Over 6 months	899	1 861
	1 189	3 750

As of 31 March 2018, trade and other receivables - "sundry debtors" of R 138,704.13- (2017: R 1,457,011.41) were impaired

The amount of the provision was R 36,770.85 as of 31 March 2018 (2017: R 1,335,298.79).

The ageing of trade and other receivables - "sundry debtors" is as follows:

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000
0 to 3 months	-	141
3 to 6 months	-	1
Over 6 months	139	1 314
	139	1 456

Reconciliation of provision for impairment of trade and other receivables

Opening balance	1 671	1 553
Provision for impairment	(1 366)	118
	305	1 671

The creation and release of provision for impaired trade and other receivables - financial assets, have been included in administrative expenses in the statement of financial performance. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The provision for impairment was only made for rent receivable from third parties. Rent receivable includes rent receivable from other Government Departments for which no provision for impairment was made.

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

No provision for impairment was made for prepayments as these receivables originate from transactions entered into with other Government Departments and UIF staff.

Trade and other receivables - financial assets are individually impaired when there is objective evidence that the asset is impaired.

19. Receivables from non-exchange transactions

Transactions under investigation debt	14 300	12 693
Provision for impairment of transactions under investigation debt	(14 300)	(12 693)
Disallowances and overpayments debt	137 370	188 385
Provision for impairment of disallowances/overpayments debt	(135 445)	(186 198)
Legal claims - contributions debt	9 070	9 335
Provision for impairment of legal claims debt	(9 069)	(9 334)
Prepayments	7 508	4 914
	9 434	7 102

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

Provision for impairment of transactions under investigation debt

Opening balance	12 692	10 801
Provision for impairment	1 608	1 891
	14 300	12 692

Provision for impairment of disallowances/overpayments debt

Opening balance	186 199	208 099
Movement in prior year provision	(3 410)	(3 748)
Amounts written off as uncollectible	(99 406)	(79 887)

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
19. Receivables from non-exchange transactions (continued)		
New provision	63 640	61 735
Recovered	(10 742)	-
Cancelled	(835)	-
	135 446	186 199

Provision of impairment of legal claims - contribution debt

Opening balance	9 335	9 483
Movement in prior years	(18)	(4)
Amounts written off as uncollectible	(793)	(897)
Recovered	(74)	-
New provision	621	753
	9 071	9 335
	158 817	208 226

Provision for impairment for "transactions under investigation" is provided for the total carrying value as the ability to recover the money is unknown and very limited at best since some transactions are still under investigation and dependant on court ruling. Provision for impairment for "disallowances/overpayments" and "legal claims" are individually impaired when there is objective evidence that the asset is impaired as per set business rules and a formula based on prior recovery experience.

20. Statutory Receivables

Funds held at National Treasury

Funds at National Treasury are Contribution Revenue collected by SARS, declared as owing to the UIF on reporting date through the National Revenue Account. The funds do not earn interest and the amount is payable to UIF as per the Unemployment Insurance 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 National Revenue Fund to the Unemployment Insurance Fund. Funds are requested by the Unemployment Insurance Fund via the Department of Labour.

National Treasury	1 657 480	1 718 672
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21. Cash and cash equivalents

Cash on hand	-	10
Bank balances	2 719 018	1 297 424
Bank overdraft	(23)	(13)
	2 718 995	1 297 421
Current assets	2 719 018	1 297 434
Current liabilities	(23)	(13)
	2 718 995	1 297 421

Cash on hand and bank balances

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

21. Cash and cash equivalents (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is R2,718,993) (2017 R 1,207,421).

Bank overdraft

Bank overdrafts are due to bank accounts on which after trading hours transactions were processed and only cleared the following banking date that is after the reporting date. The Fund does not have approved overdraft facilities and accordingly there are not any unused bank overdraft facilities. None of the Fund's assets have been pledged as collateral of any kind.

22. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2018	Fair value (R'000)	Amortised Cost (R'000)	Non-financial assets (R'000)	Total (R'000)
Trade and other receivables	-	2 668	6 759	9 427
Statutory receivables	-	1 657 480	-	1 657 480
Investments - unit trusts (foreign)	4 784 929	-	-	4 784 929
Investments - listed equity	36 613 361	-	-	36 613 361
Derivatives	106 964	-	-	106 964
Investments - bonds	89 947 229	-	-	89 947 229
Investments - bills, promissory notes and certificate of deposits	3 402 136	-	-	3 402 136
Fixed deposits	-	10 592 716	-	10 592 716
Investment income receivable	-	244 473	-	244 473
Cash and cash equivalents	-	2 719 017	-	2 719 017
Loans and receivables	-	5 821 663	-	5 821 663
Investment property	-	-	9 181	9 181
Property, plant and equipment	-	-	119 936	119 936
Intangible assets	-	-	143 573	143 573
	134 854 619	21 038 017	279 449	156 172 085

2017	Fair value (R'000)	Amortised Cost (R'000)	Non-financial assets (R'000)	Total (R'000)
Trade and other receivables	-	10 643	7 102	17 745
Statutory receivables	-	1 718 672	-	1 718 672
Investments Unit Trusts	547 979	-	-	547 979
Investments Unit Trusts(Foreign)	4 658 660	-	-	4 658 660
Investments - Listed equity	35 244 034	-	-	35 244 034
Investment Bonds	76 628 755	-	-	76 628 755
Investments - Unlisted equity	1 064 095	-	-	1 064 095
Investments-bills,promissory notes and certificates of deposits	2 682 058	-	-	2 682 058
Fixed Deposits	-	10 321 950	-	10 321 950
Investment Income Receivable	-	220 980	-	220 980
Cash and cash equivalents	-	1 297 434	-	1 297 434
Loans and receivables	-	4 299 485	-	4 299 485

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

			2018	2017
			R '000	*Restated R '000
22. Financial assets by category (continued)				
Investment Property	-	-	1 990	1 990
Property, Plant and Equipment	-	-	102 166	102 166
Intangible Assets	-	-	149 455	149 455
	120 825 581	17 869 164	260 713	138 955 458

Fair values of financial assets by hierarchy level

The UIF adopted GRAP 104 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Fixed deposits and Loans and receivables are excluded from the table below since it is valued at amortised cost and not fair value.

Financial assets measured at fair value	Level 1	Level 2	Level 3
Bonds	44 699 014	45 248 216	-
Listed equities	36 613 362	-	-
Unlisted equities	-	-	1 786 417
Unit trusts:	-	-	781 632
Unit Trusts: (Foreign)	4 784 929	-	-
Bills	-	583 057	-
Promissory notes	-	1 371 288	-
Negotiable certificate of deposits	-	1 447 791	-
Derivative financial instruments	-	-	105 872
	86 097 305	48 650 352	2 673 921

Reconciliation of Level 3 values: Unit Trusts

Opening book value	508 137	341 298
Net capital movement in the period		
- Purchases	205 925	173 977
- Sales	-	(1 193)
- Management fees	8 484	(5 945)
Closing book value before return on investment	722 546	508 137
Closing book value	722 548	508 137
Plus:		
- Option surplus/deficit (realised surplus and deficit)	1 645	(182)
- Fair value adjustments (unrealised surplus and deficit)	59 084	25 174
Less:		
- Fair value adjustments (unrealised surplus and deficit)	(60 729)	(24 991)
Closing book value after return on investment	722 548	508 138

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
22. Financial assets by category (continued)		
Mark to market		
Book value	722 548	508 137
Fair value adjustment	59 084	25 174
Market value of investment	781 632	533 311
Reconciliation of Level 3 fair value : Derivatives HFT Equity Options	2018	2017
Option surplus/deficit (realized surplus and deficit)	(628 073)	-
Fair value adjustment (unrealised surplus and deficit)	105 872	(36 974)
Less: Fair Value adjustmet (unrealised surplus and deficit)	522 201	36 974
Fair value adjustment	105 871	(36 974)
	105 871	(36 974)
Reconciliation of Level 3 values: Unlisted equity		
Opening book value	1 125 843	675 001
Net capital movement in the period		
- Purchases	1 360 747	449 739
- Sales	(443 039)	-
- Management fees	(1 103)	1 103
Closing book value before return on investment	1 360 747	1 125 843
Closing book value	2 042 448	1 125 843
Plus:		
- Fair value adjustments (unrealised surplus and deficit)	(256 031)	63 686
Less:		
- Fair value adjustments (unrealised surplus and deficit)	256 031	(63 686)
Closing book value after return on investment	2 042 448	1 125 843
Mark to market		
Book value	2 042 448	1 125 843
Fair value adjustment	(256 031)	63 686
Market value of investment	1 786 417	1 189 529
23. Derivative financial instrument		
The Fund has adopted a conservative approach to investment in equities. To remove the risk of capital loss to the equity portfolio, the Fund uses Over-the-counter (OTC) equity options to hedge its exposure to changes in the fair value of its equity portfolio. The Fund also utilises zero-cost-fences to lock in acceptable levels of upside and downside movements on the equity portfolio.		
Current		
Equity/index contracts		
OTC Equity options - liability	-	36 123
OTC Equity options - Assets	106 964	-
	106 964	36 123

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

23. Derivative financial instrument (continued)

The structure comprises of bought and sold put options and bought call options at strike prices which provide a zero premium at inception of the structure. This protects the capital base of the equity portfolio.

24. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Adjustment provision for the year R'000	Total
Other provisions	27 739	(1 305)	26 434

Reconciliation of provisions - 2017

	Opening Balance	Adjustment provision for the year R'000	Total
Other provisions	25 817	1 922	27 739

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.

25. Payables from exchange transactions

Trade payables	207 002	267 569
Salary accrual	36 030	31 886
Current leave pay accrual	42 708	44 815
Deposits received	5 703	6 309
	291 443	350 579

Trade payables

Trade 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.

26. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017		
	R '000	*Restated R '000		
26. Financial liabilities by category (continued)				
2018	Amortised cost (R'000)	Fair value through surplus/deficit (R'000)	Non-financial liabilities (R'000)	Total (R'000)
Provisions	-	-	26 434	26 434
Trade and other payables	248 736	42 708	-	291 444
Bank overdraft	23	-	-	23
Benefits liability	-	-	15 170 114	15 170 114
	248 759	42 708	15 196 548	15 488 016
2017	Amortised cost (R'000)	Fair value (R'000)	Non-financial liabilities (R'000)	Total (R'000)
Provisions	-	-	27 739	27 739
Derivative financial liability	-	36 123	-	36 123
Trade and other payables	304 149	44 815	-	348 964
Bank overdraft	13	-	-	13
Benefits liability	-	-	6 832 448	6 832 448
	304 162	80 938	6 860 187	7 245 287
27. Benefits liability				
Benefits payable - Technical provision: estimated reported benefits payable and claims incurred but not reported (IBNR)				
Opening balance			5 943 574	3 647 178
Net movement in estimate			7 157 243	2 296 396
Provision for benefit payments - current year			10 841 567	6 427 705
Revised ultimate claim amounts - prior years			(119 424)	581 670
Claims paid - prior years			(3 564 901)	(4 739 980)
			13 100 817	5 943 574
Benefits payable - approved				
Opening balance			6 253	6 870
Claims approved			9 238 565	8 477 740
Payments made			(9 227 370)	(8 478 357)
			17 448	6 253
Total benefits liability			13 118 265	5 949 827

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

28. Fair value of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of the Fund's financial instruments that are carried in the financial statements. The table does not include the fair value of non-financial assets and non-financial liabilities.

Financial assets	2018 Carrying value (R'000)	2018 Fair value (R'000)	2017 Carrying value (R'000)	2017 Fair value (R'000)
Fair value - unit trusts	-	-	547 979	547 979
Fair value - unit trusts (foreign)	4 784 829	4 784 829	4 658 660	4 658 660
Fair value - listed equity	36 613 361	36 613 361	35 244 034	35 244 034
Fair value - unlisted shares	-	-	1 064 095	1 064 095
Derivative	106 964	106 964	-	-
Fair value - bonds	89 947 229	89 947 229	76 628 755	76 928 755
Fair value - certificate of deposits, promissory notes and bills	3 402 136	3 402 136	2 682 054	2 682 054
*Amortised cost - loans and receivables	5 821 663	5 821 663	4 299 485	4 299 485
* Amortised cost - fixed deposits	10 592 716	10 592 716	10 321 950	10 321 950
* Amortised cost - investment income receivable	244 473	244 473	220 980	220 980
* Amortised cost - cash and cash equivalents	2 719 017	2 719 017	1 297 434	1 297 434
* Amortised cost - trade and other receivables				
- Rent receivable	1 189	1 189	3 750	3 750
- Sundry receivables	139	139	1 457	1 457
- PPP Reinvestment Fund	370	370	324	324
- Bank interest receivable	1 418	1 418	6 770	6 770
- Uncleared bank deposits	(143)	(13)	13	13
Financial liabilities				
	2018 Carrying value (R'000)	2018 Fair value (R'000)	2017 Carrying value (R'000)	2017 Fair value (R'000)
Fair value - derivative liability	-	-	36 974	36 974
Amortised cost - trade and other payables				
- Trade payables	207 003	207 00	265 954	265 954
- Salary accrual	36 030	36 030	31 886	31 886
- Deposits received	5 703	5 703	6 308	6 308
* Amortised cost - bank overdraft	23	23	13	13

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
28. Fair value of financial instruments (continued)		
* Assets and liabilities for which fair value approximates carrying value		
Financial assets and financial liabilities that are liquid or have a short term maturity (less than three months) it is assumed that their carrying amounts approximate their fair value. This assumption is also applied to demand deposits, saving accounts without a specific maturity (PPP Investment Account) and variable financial instruments.		
Fixed rate financial instruments		
Fixed interest bearing deposit carrying amounts are assumed to approximate to their fair value because the maturity of all the deposits are less than 12 months.		
29. Cash generated from operations		
Surplus	13 509 822	12 550 665
Adjustments for:		
Depreciation and amortisation	48 101	42 238
Income from equity accounted investments	(91 707)	13 896
Fair value adjustments	(3 859 251)	1 786 736
Investment Income	(9 354 313)	(9 029 121)
Impairment deficit	450	8 123
Movements in provisions	(1 305)	1 922
Benefits payable actuarial valuation adjustment	-	552 263
Changes in working capital:		
Receivables from exchange transactions	7 975	(6 787)
Loans and receivables	(23 493)	39 639
Other receivables from non-exchange transactions	(2 332)	(5 565)
Derivative Financial Asset	(106 964)	-
Effect of statutory receivable misstatement	-	2 992 343
Statutory receivables	61 191	(1 496 172)
Trade payables - provision reversal	1 615	1 616
Payables from exchange transactions	(59 136)	36 989
Derivative final valuation adjustment	-	851
Benefits Payable	11 195	(617)
Benefits payable - technical provision	7 157 243	1 715 516
Derivative financial instruments	(36 123)	36 123
	7 262 968	9 240 658

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

30. Contingencies

Litigation against the Fund

The following cases were lodged against the Fund during the 2017/2018 financial year

- 1)S Khempele vs The Minister of Department of Labour amount still to be determined for Payment of Unemployment Benefits of Ex-Mine Worker case still pending.
- 2)H. Saqqid vs Minister of Labour amount claimed R 30,000.00 for Unemployment Benefits case still pending.
- 3)H.Phili vs The Minister of Labour amount claimed R 8,076.73 for Maternity Benefits case still pending.
- 4)B.P Mzamo vs UIF and another amount claimed R 40,000,00 for Cancellation of the Mortgage Bond case still pending.
- 5)MICT Seta vs UIF and another : First Claim R 3,440,766.00 Second Claim R 11,411,847.77 for Payment of services rendered in terms of the Funding Agreement the matter was finalised.
- 6)BE Ndlovu vs The Minister of the Department of Labour amount claimed R 13,975.28 for Death/Dependant's Benefits case still pending.
- 7)V.Tengo vs The Minister of the Department of Labour and another amount still to be determined for the Payment of Illness Benefit the case still pending.

In 2016/2017 Financial Year the following case was not disclosed in the AFS

- 1)V.Tengo vs The Minister of the Department of Labour and another amount still to be determined for the Payment of Illness Benefit the case still pending.

31. Commitments

In terms of National Treasury Guideline:GRAP 19 paragraph 11 states that commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements , if both of the following criteria are met :

- contracts should be non-cancelable or cancelable at significant cost,
- and contracts should relate to something other than the routine, steady and state business of the entity.

All the contractual commitments of Fund does not meet the National Treasury Guideline:GRAP 19 paragraph 11.

During 2016/2017 audit, contractual commitments were identified not to be in line with National Treasury Guideline (GRAP 19). The criteria states that contracts should be non-cancelable or cancelable at significant costs, and contracts should relate to something other than the routine, steady and state business of the entity.

Previously stated

Authorised contractual expenditure

IT Enablement

Contracted for but not provided for

- Accenture	-	92 148
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Insurance

Contracted for but not provided for

- FirstRand	-	2 811
- Marsh Alexander Forbes Risk Services	-	11

Actuarial Services

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000
31. Commitments (continued)		
Contracted but not provided for		
- QED Actuaries and Consultants (Pty) Ltd (Previously AON)	-	888
Professional Services		
Contracted for but not provided for		
- PricewaterhouseCoopers Inc	-	724
- Sekela Consulting	-	1 934
- VPS Africa	-	8 071
- Vodacom Communications	-	18
- New Integrated Credit Solution	-	4 627
- Nexus Lexus	-	34 411
Authorised but not contracted for		
- XDS Solutions	-	59 590
Other Commitments		
Contracted for but not provided for		
- Sundry suppliers	-	11 447
	-	216 680

Currently stated.

In terms of National Treasury Guideline:GRAP 19 paragraph 11 states that commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements , if both of the following criteria are met :

- contracts should be non-cancelable or cancelable at significant cost,
- and contracts should relate to something other than the routine, steady and state business of the entity.

All the contractual commitments of Fund does not meet the National Treasury Guideline:GRAP 19 paragraph 11.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

		2018	2017
		R '000	*Restated R '000

32. Prior-Period adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance prior-year adjustments, due to implementation of GRAP 7 and GRAP 8, as well as the amended Unemployment Insurance Act.

Statement of financial position

Adjustment

	Note	2016/17	2015/16	2014/15
Trade payable- provision (ref:1)		1 616	-	-
Technical reserve adjustment (ref:2)		(15 182 594)	-	-
Outstanding claims reserve adjustment (ref:3)		(1 629 689)	-	-
Daybreak Farms (Pty) Ltd: Investment in associate (ref:4a)		(65 168)	(62 797)	-
Daybreak Farms (Pty) Ltd Loan:(ref:4a)		(10 628)	(2 689)	-
Daybreak Farms (Pty) Ltd Debenture: (ref:4a)		308 070	(51 587)	-
Musa Group (Pty) Ltd: Loan (ref:4b)		253 314	(3 314)	-
Musa Group (Pty) Ltd: Investment in Associate (ref:4b)		1 674	(2 000)	-
Razorite Health & Rehabilitation Fund en Commandite Partnership: Investment in associate (ref:4c)		(26 481)	25 063	-
UIF Afgri-Fund 1 en Commandite Partnership: Investment in associate (ref:4d)		(10 338)	(84)	(5 765)
Educor Property Holdings (Pty) Ltd : Investment in associate (ref:4e)		4 026	(29)	-
Kefolile Health Investments (Pty) Ltd (ref:4f)		(31 802)	-	-
Kefolile Health Investments (Pty) Ltd(ref:4f)		(10 360)	-	-
Trans African Concessions (Pty) Ltd: Investment in associate (ref:5g)		282 133	-	-
Trans African Concessions (Pty) Ltd: Investment in associate:(ref:4g)		(1 198)	-	-
Gurb Investments (Pty) Ltd: Investment in associate (ref:4h)		(1 649)	-	-
Gurb Investments (Pty) Ltd: Preference Shares (ref:4h)		(4 211)	-	-
Resultant Finance (Pty) Ltd(ref:4i)		(2 817)	-	-
South Point Management Services (Pty) Ltd:(ref: 4j)		(19 021)	(18 624)	-
Kefolile Consumer Brands (Pty) Ltd: (ref:4k)		(9 604)	-	-
Kefolile Consumer Brands (Pty) Ltd: (ref:4k)		(1 708)	-	-
Royal Bafokeng Resources Properties (RF) (Pty) Ltd: (ref:5)		2 323	18 554	-
Busamed Modderfontein Private Hospital (RF) (Pty) Ltd: (ref:5)		4 066	(11)	-
Kefolile Health Investments Holdings (Pty) Ltd: (ref:5)		(69 395)	-	-
MOGS Pty (Ltd) and its subsidiaries: (ref:5)		51	-	-
L.A. Crushers (Pty) Ltd: (ref:5)		49 856	-	-
Kefolile Consumer Brands Holdings (Pty) Ltd: (ref:5)		(2 927)	-	-
Changes in benefits payable adjustment (ref:6)		328 741	553 880	-
		(15 843 720)	456 362	(5 765)

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

		2018	2017	
		R '000	*Restated R '000	
32. Prior-Period adjustments (continued)				
Statement of financial performance				
Adjustments				
	Note	2016/17	2015/16	2014/15
Consulting fees-professional agency (ref:1)		(1 616)	-	-
Technical reserve adjustment (ref:2)	15	182 594	-	-
Outstanding claims reserve adjustment (ref:3)		1 629 689	-	-
Daybreak Farms (Pty) Ltd: Investment in Associate (ref:4a)		65 168	62 797	-
Daybreak Farms (Pty) Ltd :Loan(ref:4a)		10 629	2 689	-
Daybreak Farms (Pty) Ltd: Debenture (ref:4a)		(308 070)	51 587	-
Musa Group (Pty) Ltd: Investment in associate (ref:4b)		(1 673)	2 000	-
Musa Group (Pty) Ltd: Loan (ref:4b)		(253 314)	3 314	-
Razorite Health & Rehabilitation Fund en Commandite Partnership : Investment in Associate (ref:4c)		26 481	(25 063)	-
UIF Afgri-Fund 1 en Commandite Partnership: Investment in Associate (ref:4d)		10 338	84	5 765
Educor Property Holdings (Pty) Ltd: Investment in Associate (ref:4e)		(4 026)	29	-
Kefolile Health Investments (Pty) Ltd (ref:4f)		31 802	-	-
Kefolile Health Investments (Pty) Ltd (ref:4f)		10 359	-	-
Trans African Concessions (Pty) Ltd: Investment in Associate (ref:4g)		(282 133)	-	-
Trans African Concessions (Pty) Ltd: Investment in associate (ref:4g)		1 198	-	-
Gurb Investments (Pty) Ltd: Investment in Associate (ref:4h)		1 649	-	-
Gurb Investments (Pty) Ltd: Preference Shares (ref:4h)		4 211	-	-
Resultant Finance (Pty) Ltd(ref:4i)		2 817	-	-
South Point Management Services (Pty) Ltd (ref:4j)		19 021	18 624	-
Kefolile Consumer Brands (Pty) Ltd(ref:4k)		9 604	-	-
Kefolile Consumer Brands (Pty)Ltd(ref:4k)		1 708	-	-
Royal Bafokeng Resources Properties (RF) (Pty) Ltd (ref:5)		(2 323)	(18 554)	-
Busamed Modderfontein Private Hospital (RF) (Pty) Ltd (ref:5)		(4 066)	11	-
Kefolile Health Investments Holdings (Pty) Ltd (ref:5)		69 395	-	-
MOGS Pty (Ltd) and its subsidiaries (ref:5)		(51)	-	-
L.A. Crushers (Pty) Ltd (ref:5)		(49 856)	-	-
Kefolile Consumer Brands Holdings (Pty) Ltd (ref:5)		2 927	-	-
Changes in benefits payable adjustment (ref:6)		(328 741)	(553 880)	-
		15 843 721	(456 362)	5 765

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

32. Prior-Period adjustments (continued)

Ref1) During 2016/17 audit it was noted that a provision was raised since 2013. It therefore failed to meet the definition of a current liability.

Ref2) The Unemployment Insurance Act was amended and signed into Law on the 18th of January 2017. The Technical Reserve in 2016/17 was not provided for.

Ref3) The Unemployment Insurance Act was amended and signed into Law on the 18th of January 2017. The Changes in Benefit payable in 2016/17 was not provided for.

Ref4) Investments in SRI's

a) Daybreak Farms (Pty) Ltd:

- UIF incorrectly did not impair the investment in Daybreak Farms (Pty) Ltd in the 2016 financial year.
- UIF incorrectly fair valued a loan issued to Daybreak Farms (Pty) Ltd. The loan was supposed to be measured at cost.
- UIF incorrectly fair valued a debenture issued to Daybreak Farms (Pty) Ltd. The debenture was supposed to be measured at cost.

b) Musa Group (Pty) Ltd:

- UIF incorrectly fair valued the loan issued to the associates.
- UIF incorrectly classified an associate as a normal investment.

c) Razorite Health & Rehabilitation Fund en Commandite Partnership:

- There was a calculation error on the financial statements that impacted the Investment in Associate.

d) UIF Afgri-Fund 1 en Commandite Partnership: Investment in Associate:

- The profit for the year for the UIF Afgri-Fund 1 en Commandite Partnership was incorrectly not included in the equity accounting of the associate.

e) Educor Property Holdings (Pty) Ltd:

- There was a calculation error that impacted the Investment in Associate.

f) Kefolile Health Investments (Pty) Ltd :

- There was a calculation error that impacted the Investment in Associate.
- UIF incorrectly accounted for dividends received from the associate.

g) Trans African Concessions (Pty) Ltd:

- There was a calculation error that impacted the Investment in Associate.
- UIF incorrectly accounted for dividends received from the associate.

h) Gurb Investments (Pty) Ltd

- There was a calculation error that impacted the Investment in Associate.
- UIF incorrectly fair valued the preference shares issued to the associates.

i) Resultant Finance (Pty) Ltd Additional

- There was a calculation error that impacted the Investment in Associate.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

32. Prior-Period adjustments (continued)

j) South Point Management Services (Pty) Ltd

The following two events occurred in relation to South Point Management Services (Pty) Ltd.

1. There was a gain and loss of control of a subsidiary.
2. There was a calculation error that impacted the Investment in Associate.

At 14 April 2015 100% of South Point Management services (Pty) Ltd was purchased by Unemployment Insurance Fund at R800million. The reporting date for South Point Management Services (Pty) Ltd is 28 February because that is the financial year end that has been agreed by their stakeholders whereas the year end for Unemployment Insurance Fund is 31 March.

The loss of control was accounted for as follows:

At acquisition

Purchase consideration	R 780,000,000.00
Transaction costs	R 20,000,000.00
Total	R 800,000,000.00

As at 31 October 2015 UIF disposed off 60% of the shareholding in South Point Management Services (Pty) Ltd thereby remaining with 40%. UIF lost control of the controlled entity and it became an associate because it has significant influence.

At disposal date - loss of control

Net asset value of South Point	(R 800,000,000.00)
Fair value of the consideration received	(R 484,000,000.00)
Fair value of the retained investment at fair value on loss of control date	(R 320,000,000.00)
Resulting difference if the gain/loss on disposal	(R 4,000,000.00)

UIF accounted for the gain on disposal of the 40% shareholding.

k) Kefolile Consumer Brands (Pty) Ltd

- There was a calculation error that impacted the Joint Venture.
- UIF incorrectly accounted for dividends received from the Joint Venture.

Ref 5

GRAP 104 Instruments

- GRAP 104 investments were adjusted to match the final valuation reports

Ref 6

- Changes in benefits payable adjustment due incorrect inclusion of handling expenses in the benefit provision

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
33. Emoluments		
The Director-General of Labour is the Accounting Authority of the Unemployment Insurance Fund.		
33.1. Directors (past and present) emoluments		
T.B. Seruwe (UI Commissioner) Resigned: 31 August 2016		
- Salary	-	435
- Expense allowances	-	96
- State contribution: Pension Fund	-	45
	-	576
Pumla Duma (Director: Labour Activation) Appointed in: 01 February 2018		
- Salary	134	-
- Expense allowances	1	-
- State contribution: Pension Fund	14	-
	149	-
T.S. Maruping (Commissioner) Appointed in position: 1 December 2016		
- Salary	1 246	1 052
- Expense allowances	31	23
- State contribution: Pension Fund	125	100
- Acting allowance	-	58
	1 402	1 233
A.S C. Fourie (Director: Treasury, Investments and Actuarial Services) Appointed in position: 1 June 2014		
- Salary	757	706
- Expense allowances	78	80
- State contribution: Pension Fund	33	80
- State contribution: Medical Aid	86	33
	954	899
M.R. Makgamatho (Director: Compliance) Appointed in position: 1 November 2014		
- Salary	829	778
- Expense allowances	69	57
- State contribution: Pension Fund	88	80
- State contribution: Medical Aid	16	16
	1 002	931
T.I Maphatane (Director : Risk Management) Appointed in position : 1 March 2018		
- Salary	67	-
- State contribution: Pension Fund	7	-

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
33. Emoluments (continued)	74	-
Z. Fololo (Director: Income and Accounts Receivable) Appointed in position: 1 December 2013		
- Salary	751	708
- Expense allowances	152	106
- State contribution: Pension Fund	85	80
- State contribution: Medical Aid	17	17
- Adjustment	(21)	-
	984	911
G.M. Buthelezi (Director: Communications) Appointed: 1 June 2014		
- Salary	798	747
- Expense allowances	87	84
- State contribution: Pension Fund	88	80
- State contribution: Medical Aid	5	5
- Long service award	10	-
	988	916
A.C Mathabela (Director: Organisational Effectiveness) Appointed : 1 February 2018		
- Salary	131	-
- State contribution: Pension Fund	18	-
	149	-
L.M. Molefe (Director: Organisational Effectiveness) Resigned: 1 September 2011		
- Salary	270	867
- Expense allowances	6	5
- State contribution: Pension Fund	31	72
- State contribution: Medical Aid	9	22
	316	966
Maria Ramoshaba (Director: Supply Chain Management) Appointed in position: 1 December 2017		
- Salary	287	-
- State contribution: Pension Fund	29	-
	316	-
L. Briedenhann (Director: Reporting) Appointed in position: 1 October 2008		
- Salary	970	927
- Expense allowances	-	5
- State contribution: Pension Fund	82	75

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
33. Emoluments (continued)		
- Performance award	-	87
	1 052	1 094
 H.A. Aderibigbe (Director: Budgets, Expenditure and Bank Recons) Appointed in position: 1 March 2005		
- Salary	967	868
- Expense allowances	21	30
- State contribution: Pension Fund	85	74
- State contribution: Medical Aid	16	16
- Performance award	-	47
	1 089	1 035
 V. Mulindi (Director: Internal Audit) Appointed in position: 1 January 2014		
- Salary	706	694
- Expense allowances	264	227
- State contribution: Pension Fund	89	81
- Adjustments	(1)	(36)
	1 058	966
 J. Kumbi (Chief Director: Operations) Appointed in position: 1 March 2012		
- Salary	854	752
- Expense allowances	151	158
- State contribution: Pension Fund	84	72
- State contribution: Medical Aid	23	23
- Acting allowance	48	-
	1 160	1 005
 H.D. Mhlongo (Chief Director: Corporate Services) Appointed in position: 1 March 2013		
- Salary	823	752
- Expense allowances	321	301
- State contribution: Pension Fund	89	84
- Adjustments	(25)	(2)
- Performance award	50	-
	1 258	1 135
 T.S. Puzi (Chief Financial Officer) Appointed: 1 April 2016		
- Salary	981	911
- Expense allowances	163	160
- State contribution: Pension Fund	99	90
- State contribution: Medical Aid	34	34
	1 277	1 195

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
33. Emoluments (continued)		
P. Roux (Director : Human Resource Management)		
Appointed: 1 April 2016		
- Salary	818	772
- Expense allowances	40	38
- State contribution: Pension Fund	86	80
- State contribution: Medical Aid	8	8
- Performance Bonus	-	34
- Acting allowance	-	25
	952	957
P.A Ragavaloo (Director: Provincial Support)		
Appointed:1 July 2016		
- Salary	765	493
- Expense allowances	131	93
- State contribution: Pension Fund	88	61
- Resettlement Fees	-	50
- Performance Bonus	-	49
	984	746
M.W Nape (Director: Labour Activation Programmes)		
Appointed: 1 April 2016		
- Salary	862	769
- Expense allowances	17	15
- State contribution: Pension Fund	86	80
	965	864
M.S Mono (Director: Labour Activation Programmes)		
Resigned: 1 April 2016		
- Salary	-	847
- Expense allowances	-	62
- State contribution: Pension Fund	-	72
- Adjustment	-	(1)
	-	980
S.F Zungu (Director: Labour Activation Programmes)		
Appointed: 1 April 2016		
- Salary	847	814
- Expense allowances	31	46
- State contribution: Pension Fund	86	80
- State contribution: Medical Aid	17	17
- Adjustment	-	(2)
- Resettlement	-	50
	981	1 005

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
33. Emoluments (continued)		
X. Monakali (Chief Information Officer)		
Appointed: 1 August 2015		
- Salary	862	802
- Expense allowances	6	6
- State contribution: Pension Fund	86	80
	954	888
 D.J. Khumalo (Director: Monitoring and Evaluation)		
Appointed in position: 1 November 2006		
- Salary	934	787
- Expense allowances	122	111
- State contribution: Pension Fund	107	88
- State contribution: Medical Aid	21	21
- Adjustment	(14)	-
- Long service award	10	-
	1 180	1 007
 M. Rasebopye (Director: SCM)		
Resigned: 31 July 2016		
- Salary	-	218
- Expense allowances	-	36
- State contribution: Pension Fund	-	28
- State contribution: Medical Aid	-	9
	-	291
 L. van Wyk (Director: Office of the UIC)		
Transferred from the Compensation Fund: 1 September 2015		
- Salary	691	654
- Expense allowances	180	182
- State contribution: Pension Fund	86	80
- Long service award	-	9
	957	925
 Advocate M.C. Phathela (Legal and Board Services)		
Appointed: 1 September 2009		
- Salary	675	649
- Expense allowances	297	281
- State contribution: Pension Fund	77	72
- State contribution: Medical Aid	8	8
- Adjustment	(27)	(39)
	1 030	971
 N.B. Mconywa (Chief Director: Labour Activation Programmes)		
Transferred from the Department of Labour: 1 March 2013		
- Salary	1 042	989
- Expense allowances	96	107

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
33. Emoluments (continued)		
- State contribution: Pension Fund	95	89
- State contribution: Medical Aid	9	9
	1 242	1 194

33.2. Non-Executive Board members (past and present) fees

2018 Board Members	Appointment date	Fees for service	Expense allowance
A. Crawford	November/06/ 2014	24	2
L. Kganyago	November/06/ 2014	56	-
J. Mahlangu	November/06/ 2014	21	3
D. Mthalane	November/06/ 2014	34	30
NE. Nwedo	November/06/ 2014	67	7
WM. Nzimande	January/29/ 2013	58	-
GH. Strauss	November/06/ 2014	134	60
T. Tshefuta	November/06/ 2014	67	91
D. Maphoto	November/01/ 2017	16	1
M. Matshani	November/01/ 2017	14	2
M. Mchunu	November/01/ 2017	15	1
NMW. Vermeulen	November/06/ 2014	90	4
		596	201

Audit & Risk Committee

	Date of appointment	Fees for service	Expense allowance
D. Botha	January/22/ 2016	215	1
D.Hlatshwayo	Resigned	201	5
Dr P. Dala	January/22/ 2016	168	3
		584	9

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

		2018 R '000	2017 *Restated R '000
33. Emoluments (continued)			
Appeals committee	Type	Fees for service	Expense allowances
AB. Gxoyiya	Regional	1	-
T. Mabuza	Regional	28	6
CP. Maseko	Regional	5	-
PGF. Ndaba	Regional	14	16
JD. Nzanzeka	Regional	13	1
A. Ott	Regional	2	-
LW. Palweni	Regional	1	-
JG. Van Graan	Regional	1	-
BS. Zitha	Regional	5	-
		70	23
2017			
Board members	Appointment date	Fees for service	Expense allowance
NMW. Vermeulen	November/01/2014	123	4
HG. Strauss	November/01/2014	150	59
L. Kganyago	November/01/2014	38	1
WM. Nzimande	January/29/2013	50	-
A. Crawford	November/01/2014	33	3
A. Franks	November/01/2014	4	-
J. Mahlangu	November/01/2014	24	5
D. Mthalane	November/01/2014	51	38
NE. Nwedo	November/01/2014	58	7
T. Tshefuta	November/01/2014	55	60
		586	177
Audit committee	Date of appointment	Fees for service	Expense allowance
D. Hlatshwayo	March/05/2015	373	8
D. Botha	January/22/2016	59	-
		432	8
Appeals committee	Date of appointment	Fees for service	Expense allowance
AP. Brandmuller	Regional	2	-
LE. Baloyi	Regional	2	-

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

		2018	2017
		R '000	*Restated R '000
33. Emoluments (continued)			
N. Gceba	Regional	1	3
K. Hloyana	Regional	3	-
T. Mabuza	Regional	3	3
CP. Maseko	Regional	5	-
RBT. Mcetywa	Regional	1	-
M. Moleme	Regional	3	-
PGF. Ndaba	Regional	3	3
JD. Nzanzeka	Regional	7	-
A. Ott	Regional	4	-
LW. Palweni	Regional	2	-
SM. Seabi	Regional	4	2
JJ. Tshupe	Regional	2	1
JG van Graan	Regional	2	1
BS. Zitha	Regional	3	-
O. Raleka	Regional	6	-
		53	13

During 2016/2017 audit the non-executive director emoluments was misstated.

Audit committee	Currently stated	Previously
D. Botha	59	15

* Board Members who served on the Audit Committee.

34. Transactions under investigation

The Fund is vulnerable to fraudulent claims and is dependent on employee information supplied by employers via declarations and claimants' affidavits that they are unemployed. The Fund ensures that its systems and procedures are robust to detect and prevent payments made in error and/or fraudulent payments where possible.

Transactions under investigation are transactions when there is objective evidence requiring investigation by Risk Management such as intercepted payments, office errors, bank errors, unauthorised bank transactions, incorrect contribution refunds and all other transactions where objective evidence require investigation. Risk Management Transactions are categorised in Transactions under investigation and Actual Fraud Detected and form part of "Trade and other receivables" – non financial assets.

Actual fraud detected - benefits	14 023	12 381
Actual fraud detected - non benefits	281	281
Transaction under investigation	(4)	30
	14 300	12 692
Impairment	14 300	12 692

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

34. Transactions under investigation (continued)

Transactions under investigation are 100% impaired until evidence exist that measurable and probable economic benefits will flow to the Fund or there is no recovering probability and amounts are written off against the debtor's account. The portion not impaired for during the financial year under review are new transactions under investigation for which the recovering probability was not certain. Recoveries of amounts previously written off are disclosed against "other income" in the statement of financial performance.

35. Write off of overpayments

Overpayments – Irrecoverable

The Overpayment Policy and Procedures of the Fund makes provision for write-off of debts that are deemed 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 Public Finance Management Act.

Included in the "administrative expenses" is an amount of R100,879,703.14(2017: R67,312,453.36) for irrecoverable overpayments which were written off during the financial year.

Overpayments written off

Irrecoverable overpayments	100 880	67 312
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Cancellation of Invalid Overpayments

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 new one created and/or
- Proof of prior payment in the LINC system and/or
- Overpayment erroneously created against an incorrect debtor

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000
36. Irregular expenditure		
2018		
Reconciliation of Irregular Expenditure		
Opening balance	99 953	64 456
Irregular expenditure - relating to current period	45 734	35 497
Less: Amount condoned relating to prior year	(35 319)	-
Less: Amount reclassified	(29)	-
Less: Amounts confirmed as non-irregular	(149)	-
	110 190	99 953

The following irregular expenditure has been incurred:

Expenditure to the amount of R 110 190 819.15 have been confirmed as irregular and relates to contracts entered into between the Fund and Service Providers. An amount of R 86 870 456.20 was paid to Accenture and it was found irregular due to a breach in Section 5 of the SCM practice note number 3 of 2003 since the procurement process was not fair, transparent and competitive. Expenditure relating to CQS R 2 768 619.94, Nine IT Systems Pty Ltd R 2 016 897.08 and VPS to the amount of R10 232 286.42 were found irregular since the original contract value was exceeded with 15%. Expenditure for XDS R 4 111 700.19 was confirmed as irregular due to a breach in the SCM Policy.

The amount of R 35 319 760.00 disclosed in the 2016-2017 financial year for Merseta, MQA and EWSETA has been regularised and hence the amount is being removed from the 2017-2018 financial year. An amount of R 28,782.72 was disclosed in the 2016-2017 financial year as irregular expenditure. However this has been reclassified as fruitless and wasteful expenditure and it will be removed from the irregular expenditure note.

The amount disclosed within the 2016-2017 financial year for Riscura Solutions Pty Ltd has been investigated and confirmation has been received that no irregular expenditure has incurred.

An amount of R 32,377,744.08 is under investigation for possible irregular expenditure incurred.

37. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	29	29
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Fruitless and wasteful expenditure was not disclosed in the 2016/2017 Annual Financial Statements

The expenditure was R 28,782.72 in respect of the interest payable to Toyota which accumulated as a results of the delayed payments of the shortfall amount in relation of the (4) Toyota Corolla procured through the RT57 still at the transversal contract.

An amount of R 25,869,510.26 is under investigation for expenditure deemed as fruitless and wasteful for SAP licence fees and support, and a lease agreement entered into.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management

Introduction

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 Public Finance Management Act (Act no. 1 of 1999).

Unemployment Insurance Board

The Fund's Board recommends the principles for overall risk strategy, as well as policies covering specific 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 Board appointed sub-committees such as the Financial and Risk Advisory Committee (previously Finance Advisory Committee) to oversee special areas of risk.

Investment Committee (Sub Committee of Unemployment Insurance Board)

The Investment Committee provides oversight on investment management to the UIF in considering all investment performance and management reports to be presented to the Board and makes recommendations to both the Board and Management. The Committee ensures the maintaining of Risk related procedures by recommending investment mandate that 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.

PIC – Risk Parameters

Monitoring and controlling risks are primarily performed based on limits established by the Fund. These limits reflect the business strategy and market environment of the Fund as well as the level of risk that the Fund is willing to accept. In addition, the Fund monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from businesses units and the Asset Manager is examined and processed in order to analyse, control and identify early risks by Management and the Investment Committee. This information is presented and explained to the Unemployment Insurance Board that makes the necessary recommendations to the Accounting and Executive Authority. The PIC in addition executes their investment management processes according to their own risk management policy and procedures.

Capital Management

Approach to capital management

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

The Unemployment Insurance Fund seeks to optimise the structure and source of capital to ensure a sustainable organization that can meet its Unemployment Insurance obligations as per the Unemployment Insurance Act (Act no. 63 of 2001) and consistently strive 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

Regulators are primarily interested in protecting the rights of registered Employers and Employees and monitor the Fund closely to ensure that Management is satisfactorily managing affairs for their benefit.

At the same time, regulators are also interested in ensuring that the Fund maintains an appropriate solvency position to meet liabilities arising from unemployment.

The Fund collects and receives contributions under the Unemployment Insurance Contributions Act (Act no. 4 of 2002).

In accordance with the Unemployment Insurance Act (Act no. 63 of 2001), contributions received is managed and unemployment insurance claims are paid.

Section 5 of the Unemployment Insurance Act (Act no. 63 of 2001) regulates the Application of the Fund.

The Fund must be used for the:

- payment of benefits in terms of this Act;
- reimbursement of excess contributions to employers;
- payment of remuneration and allowances to members of the Unemployment Insurance Board and its committees; and
- any other expenditure reasonably incurred and relating to the application of this Act.

Section 7 of the Unemployment Insurance Act (Act no. 63 of 2001) regulates the Investment of money of the Fund.

The money of the Fund, other than money required to meet the current expenditure of the Fund, may be deposited on behalf of the Fund by the Director-General with the Public Investment Corporation Limited (PIC) to be invested in terms of the Public Investment Corporations Act and the Funds Investment mandate.

Section 9 of the Unemployment Insurance Act regulates the Appointment of an annual review by an actuary. The Director-General must appoint an actuary within two months after the end of each financial year. The actuary must review the financial soundness of the Fund for that financial year, and provide an actuarial valuation report to the Director-General.

The actuarial valuation report must contain at least a statement reflecting the actuarial value of the assets and liabilities of the Fund, the financial soundness of the Fund and recommendations for the maintenance or improvement of the financial soundness of the Fund (Technical Reserves, Claims incurred but not enough reported (IBNER) and Claims incurred but not reported (IBNR)).

Section 10 of the Unemployment Insurance Act regulates the Surplus and deficit in the Fund. The Director-General must report and make recommendations to the Minister if the difference between income and expenditure of the Fund is greater than is required to meet payments for benefits or insufficient or not increasing at a sufficient rate to meet payments for benefits that may reasonably be anticipated.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

The Minister, after consultation with the Board, may utilise the surplus to give effect to the purposes of this Act, including improving the administrative efficiency and capacity of the Board and Fund and establishing a reserve fund.

The Minister may request the Minister of Finance to adjust the national budget in the manner contemplated in sections 16 and 30 of the Public Finance Management Act, 1999 (Act No. 1 of 1999), in order to cover any deficit in the Fund. Financial Management of the Fund is in accordance with the Public Finance Management Act (Act 1 of 1999) (PFMA) and relevant National Treasury Regulations.

Section 53 of the PFMA

The accounting authority must submit to the responsible executive authority, at least six months before the start of a financial year of the designated department, a budget of estimated revenue and expenditure for that financial year.

The Schedule 3 non-business public entities may not budget for a deficit or a surplus unless prior written approval of the National Treasury has been obtained.

Capital management objectives, policies and approach. The Fund's capital management objectives, policies and approach are based on the relevant legislation.

An annual business plan and budget recommended by the UI Board supported by the actuarial valuation report is submitted to the executive authority for approval.

The actuarial valuation report and recommendations for the maintenance or improvement of the financial soundness of the Fund is utilized annually to make provision for the required Technical Reserves and Provision for outstanding benefits which comprises of Claims incurred but not reported (IBNR) and Claims incurred but not enough reported (IBNER).

Written approval is annually obtained from the National Treasury to budget for a surplus.

The Fund has had no significant changes in its policies and processes to its capital structure during the past year from previous years. The capital structure of the Fund consists of net debt (benefits payable as detailed in note 22 offset by cash and cash equivalents as detailed in note 16) and equity of the Fund (comprising the technical reserves and accumulated surplus).

The ratio at the end of the reporting period was as follows:

Benefits payable	(17 448)	(6 253)
Cash and cash equivalents	(2 719 018)	(1 297 421)
Net benefits payable	(2 736 466)	(1 303 674)
Technical Reserve	40 928 889	38 303 768
Accumulated surplus (deficit)	103 648 275	93 943 545
Equity	144 577 164	132 247 313

Benefits payable is set out in note 27 and excludes trade and other payables and derivative financial instruments.

Asset Liability Management (ALM) framework

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
38. Risk management (continued)		
<p>The main risk that the Fund faces is unemployment insurance claims as per the Unemployment Insurance Act (Act no. 63 of 2001) and 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 Funds Investment Committee commission regular Asset and Liability Modelling studies to ensure an appropriate investment policy and mandate.</p> <p>The principal technique of the Funds ALM is to match assets to the liabilities arising from administering the Unemployment Insurance Act (Act no. 63 of 2001). The Funds ALM is integrated with the management of the financial risks associated with the Funds assets and liabilities directly associated with unemployment insurance and form 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 Unemployment Insurance Act (Act no. 63 of 2001).</p>		
Operational risk		
<p>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.</p> <p>The Unemployment Insurance Fund cannot eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risk, the Unemployment Insurance Fund is able to manage the risk. Controls include effective segregation of duties, access control, authorisation and reconciliation procedures, staff education and assessment processes, including the use of a risk management section and internal audit that review the effectiveness of the control environment and external insurance policies. Business risk such as change in environment and technology are monitored through the Unemployment Insurance Fund's strategic planning process.</p>		
Insurance risk		
<p>The Unemployment Insurance Fund provides unemployment-, illness-, maternity-, adoption- and dependant benefits as prescribed by the Unemployment Insurance Act (Act no. 63 of 2001) amended. 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 application for benefits.</p> <p>The Unemployment Insurance Fund's risk is limited through the Unemployment Insurance Act (Act no. 63 of 2001) amended, 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 Unemployment Insurance Fund. The Fund maintains a fully funded position to mitigate its insurance risk.</p>		
Technical Reserve		
'Unearned contribution revenue' (UCR) the 'unexpired risk' - Statement of financial position	40 928 889	38 303 768
Benefits payable		
Claims incurred but not reported (IBNR) and approved reported benefits payable	13 100 817	5 943 574
	54 029 706	44 247 342

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

Market risk

Market risk is the potential loss due to an 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 and investor sentiment.

Any change to these factors may result in volatility in interest rates, exchange rates, equity and commodity prices and credit spreads.

Exposure to market risk is formally managed through a diverse investment portfolio in accordance to the risk parameters and limits agreed with the PIC in a formal investment mandate. The following benchmarks are set out in the Fund's mandate and tracked by the PIC:

Asset class	Benchmark
Bonds	Besa All Bond Index (ALBI) and CIL
Cash & Money Markets	STEFI Indexes
Equities	FTSE/JSE(SWIX) excluding Property
Listed Property	J253
African Investment	MSCI(African) excluding Propertyt
Foreign Equity	MSCI (All Country World Index) Excl SA

Risk parameters were set as follows

Total risk of the Fund

Maximum total risk (volatility or annualised standard deviation) of the Fund will be set at 2% above the average total risk of the benchmark measured over 24 months of monthly returns. The maximum tracking error will be 2% per annum measured over 24 months of monthly returns.

Fixed Income

Modified duration of fixed income portfolio will not be more than 6. A combination of conventional bonds and inflation linked bonds will be used to achieve the target duration.

Equities

The volatility of the equity portion of the Fund will not be more than 2% above the benchmark volatility. Tracking error maximum of 1.5% ensures that the Fund does not take excessive risk relative to the benchmark.

Concentration Risk

Concentration risk is the risk of losses arising due to poor diversification within funds. This relates to both credit and market risk as excessive concentration in a particular or correlated asset class, sector, issuer, term structure or financial instrument type can result in undesirable risk exposures. PIC manages this risk in accordance with the investment mandate, which dictates the level of concentration.

Establishment of investment limits per counterparty

Capital Market

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

RSA Government Bonds	Maximum 100%
Explicit RSA Government Guaranteed	Maximum 40%
AA rated or better	Maximum 20%
A rated or better	Maximum 10%

Money Market and Cash

Money market investments are spread across the Top Five South African Banks in order to diversify the Clients exposure. Limits are set utilizing the DI900 information supplied to the South African Reserve Bank.

Establishment of investment limits per investment instrument

Capital Markets

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.

Asset Class	2018	2017	Movement
Total Cash and Money Market	9.98 %	10.48 %	(0.50)%
Cash (Settlement Accounts)			
Standard Bank	7.66 %	6.65 %	1.01 %
Money Markets (Term Investments)			
ABSA	17.81 %	17.17 %	0.64 %
First Rand	15.00 %	16.80 %	(1.80)%
Nedbank	16.66 %	16.72 %	(0.06)%
Standard Bank	16.76 %	6.86 %	9.90 %
Investec	2.82 %	3.75 %	(0.93)%
Land Bank	9.38 %	11.29 %	(1.91)%
Eskom	3.99 %	4.76 %	(0.77)%
Development Bank of South Africa	9.90 %	5.99 %	3.91 %
Capital Markets	64.86 %	61.49 %	3.37 %
Government Bonds	32.29 %	30.63 %	1.66 %
Parastatals/SOE	19.68 %	18.82 %	0.86 %
Corporate Bonds	1.94 %	2.50 %	(0.56)%
Inflation Linked Bonds	46.09 %	48.06 %	(1.97)%
Equity Holding	24.93 %	24.93 %	- %
FTSE-JSE Indices: Top 40	100.00 %	100.00 %	- %

The Funds 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. The Fund's Money Markets decreased with 11.86% and decreased its holding on Capital Markets with 3.24%.

Price risk

Equity price risk

Equity Portfolio value R41,398,291 (2017: R36,966,875)

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

This risk is the potential financial loss as a result of movements in the level or volatility of equity prices, which affects the value of equity and equity derivative instruments. UIF has exposure to equity price risk as a result of its investments in equity instruments and equity derivatives.

Equity market risk is managed by using a benchmark that is less volatile than the overall JSE All Share Index.

The sensitivity to equity market is measured by the beta of the equity exposure. Such beta is managed relative to the industry classification benchmark. The equity exposure is closely tracking the index and has more or less the same beta as the benchmark. Derivatives are used to hedge the equity exposure at all times and therefore help minimise the downside risk.

Stress testing is a risk management technique to evaluate the potential effects on an institution's financial condition, of a set of specified changes in risk factors (particularly market risk), corresponding to exceptional but plausible events. Stress testing includes scenario testing and sensitivity testing.

To perform stress testing listed equity needs to be grouped using industry classification benchmark.

Portfolio sensitivity testing highlights the key risks or touch points of the portfolio to the market. In this case, sensitivity testing of the UIF portfolio were performed to the equity indices.

Sensitivity testing typically involves an incremental change in a risk factor (or a limited number of risk factors). Analysis over a shorter time horizon were conducted to simulate an instantaneous shock.

Using a historical beta, for any instantaneous shock on our risk factor determined the impact on the portfolio.

Below the portfolio sensitivities of a -1% move to the PICB*.

Price change (%)	Profit/Loss (Rand)	% Change profit/loss	Market value fund (Rands)
-1.00%	(317 765 063)	-1.00%	31 865 276 191
0.00%	-	0.00%	32 183 041 254
1.00%	317 765 063	1.00%	32 500 806 317

The table below shows the top 10 high beta or highly sensitive stocks - listed equity.

Security name	Betas	Sensitivity (Rands)
STADIO HOLDINGS	2.16	(129 645)
*STEINHOF INT. HLDGS	2.12	(868 463)
NASPERS-N	1.69	(124 438 266)
EOH	1.36	(375 963)
IMPERIAL	1.34	(2 712 708)
FIRSTRAND	1.23	(16 695 381)
SANLAM	1.22	(10 640 246)
FOSCHINI GROUP LTD	1.17	(4 645 009)
BARWORLD	1.15	(1 794 052)
BARCLAYS AFRICA GRP	1.15	(6 641 014)

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

*Equity Portfolio managed internally by PIC:

Date	Holding	Cost	Markert	Amount	Unrealised Profit /Loss
31 March 2017	17 721	840 017	1 003 002	1 003 002	(162 984)
31 December 2017	12 530	645 780	58 881	(994 121)	585 414
31 March 2018	12 411	643 249	40 087	(18 792)	603 160
	42 662	2 129 046	1 101 970	(9 911)	1 025 590

Equity Portfolio managed internally by PIC: UIF Funds are managed on a passive basis, holding Steinhoff shares in the same weight as the SWIX benchmark (as per UIF mandate). Overall Steinhoff exposure as at 31 March 2018 to the internally managed listed equity fund is limited to 0.3%.

Upon advice from the Fund's asset manager and investment advisor the Fund will wait for the investigations into Steinhoff to be finalized and the financial statements to be restated and released before selling off it's exposure on the internally managed equity exposure. The rationale being that post the finalization of the investigations, some of the unrealized losses may be reversed, thus resulting in lower actual losses upon exit.

Externally managed Portfolio exposure:

Mazi and Vele sold off all their share in Steinhoff on the 6th of December 2017. Mergence and Sentio sold off their share in Steinhoff at the end of December 2017. An estimated total realized loss of R165 million was realized by the external managers.

External Manager	Holding at 05 December 2017	Market Value as at 05 December 2017	Holding at 12 December 2017	Market Value as at 05 December 2017	Realised (Profit/Loss)
Mazi	1 236	56 422	-	-	56 422
Megence	1 090	49 762	711	8 357	58 120
Vele	841	38 412	-	-	38 412
Sentio	872	-	872	10 250	10 250
Robeco	35	1 979	-	-	1 979
	4 074	146 575	1 583	18 607	165 183

Security name	Betas	Risk
PBG GROUP LIMITED	(0.46)	115
AFRO-C	(0.28)	45 667
SEA HARVEST GROUP	(0.23)	11 976
RHBOPHELO	(0.20)	29 582
HULISANI	(0.13)	27 025
ADCOCK INGRAM OPT	(0.14)	354
TRELLIDOR HOLDINGS	(0.01)	4 962
ELLIES	(0.07)	1 944
ITLTILE	(0.06)	22 625
RHODES FOOD GROUP	0.05	24 970

The equity markets are very volatile, the sensitivity was done assuming the market moves up or down by 5% at a time.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

					2018	2017
					R '000	*Restated R '000

38. Risk management (continued)

Equities

Effect on value of equities

R'billion	(15)%	(10)%	(5)%	- %	5 %	10 %	15 %
2017	25 183	26 630	28 077	29 523	30 970	32 417	33 863
2018	27 419	28 996	30 606	32 183	33 760	35 369	36 946

Effect on surplus/deficit

%	(15)%	(10)%	(5)%	- %	5 %	10 %	15 %
2017	(14.70)%	(9.55)%	(4.60)%	- %	5.30 %	10.24 %	15.19 %
2018	(14.80)%	(9.90)%	(4.90)%	- %	(4.90)%	(9.90)%	(14.80)%

The equity markets are very volatile, the sensitivity was done assuming the market moves up or down by 5% at a time.

Equities (including listed property) excluding equity options

Effect on value of listed property

R'billion	(15)%	(10)%	(5)%	- %	5 %	10 %	15 %
2017	29 957	31 719	33 482	35 244	34 006	38 768	40 530
2018	27 564	30 879	34 288	37 543	40 858	44 207	47 522

Effect on surplus/deficit

%	(15)%	(10)%	(5)%	- %	5 %	10 %	15 %
2017	(15.00)%	(10.00)%	(5.00)%	- %	5.00 %	10.00 %	15.00 %
2018	(26.58)%	(17.75)%	(8.83)%	- %	8.83 %	17.75 %	26.58 %

The equity markets are very volatile, the sensitivity was done assuming the market moves up or down by 5% at a time.

Listed property

Effect on value of listed property

R'billion	(15)%	(10)%	(5)%	- %	5 %	10 %	15 %
2017	4 453	4 715	4 977	5 239	5 448	5 763	6 024

Effect on surplus/deficit

%	(15)%	(10)%	(5)%	- %	5 %	10 %	15 %
2017	(14.00)%	(9.33)%	(4.67)%	- %	(4.67)%	9.33 %	14.00 %
2018	26.58 %	17.75 %	8.83 %	- %	8.83 %	17.75 %	26.50 %

Below is the portfolio sensitivities of a -1% move to the SA property Index (J253)*.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000
38. Risk management (continued)		
Price change (%)		
	Profit/loss (Rands)	% Change profit/loss
-1.00%	(56 194 267)	(1.00)%
0.00%	-	-
1.00%	54 194 267	1.00 %
		Market value fund (Rands)
		563 232 486
		619 426 753
		675 621 021

The table below shows the top 10 high beta or highly sensitive stocks.

Stocks	Betas	Risk (Rands)
HYPROP	0.93	(3 658 434)
REDEFINE	0.76	(6 725 372)
GROWPNT	0.70	(8 181 257)
RESILIENT REIT LTD	1.75	(4 083 489)
GREENBAY PROP	1.35	(879 651)
NEPI ROCKCASTLE	0.70	(5 763 868)
FORTRESS INCOME FUND	2.32	(3 193 561)
FORTRESS INCOME FUND	0.74	(1 955 696)
SA-CORP	0.63	(1 221 590)
ATTACQ	0.63	(1 079 319)

The table below shows the bottom 10 betas or defensive stocks.

Stocks	Betas	Risk (Rands)
ACCELERATE PROP FUND	19.00	(103 223)
STENPROP	0.12	(17 705)
ECHO POLSKA PROP	0.29	(273 858)
EMIRA	0.42	(446 440)
DELTA PROPERTY FUND	0.26	(103 123)
INTU PROPERTIES PLC	0.28	(211 786)
EQUITES PROP FUND	0.28	(269 431)
CAPITAL COUNTIES	0.29	(273 858)
TRADEH	(0.16)	9 738
SERUIS REAL ESTATE	0.43	(104 235)

Interest rate risk

Bond Portfolio value R89,947,230 (2017: R76,628,755,360)

Bills, Promissory notes and Negotiated certificates of deposit Portfolio value R3,402,136(2017: R2,682,054,810)

Fixed deposit Portfolio value R10,592,716(2017: R10,321,950,803)

Social Responsible Investments value R10,243,501(2017: R6,175,115,943)

This risk is the potential financial loss as a result of adverse movement in interest rates that affects the value of bonds and money market instruments. The Fund has exposure to interest rate risk through investments in money markets and bonds.

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 amount in inflation linked bonds.

The sensitivity to interest rate movements is managed by managing the duration of fixed interest exposure. Such duration is managed relative to an appropriate benchmark. To manage the duration PIC utilises a combination of instruments to get closer to the benchmark duration.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

The fixed income asset class is not as volatile as the equity markets; an assumption of this sensitivity analysis is that the interest rates move by 50 basis points at a time.

Sensitivity of the UIF Asset Class Portfolios to different market movements

The investment portfolio sensitivity is evaluated through stress testing the portfolio using the following methodology:

The portfolio is separated into its instruments type's viz. money market, bonds, equity, 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 the specified quantum and then revaluing the instruments (present valued 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 yields to maturity is moved by the specified quantum and the bond re-valued (bond pricing formula). The aggregate value of all the instruments represents 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 is then revalued (price multiplied by holdings) at the new price. The aggregate value of all the equity instruments represents 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 represents 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.

Bonds

Effect on value of bonds

R'billion	(150)	(100)	(50)	-	50	100	150
2017	88 889	84 291	80 460	76 628	73 563	69 732	67 433
2018	105 189	99 885	93 697	88 394	84 858	80 438	76 902

Effect on surplus/deficit

%	(150)	(100)	(50)	-	50	100	150
2017	16.00 %	10.00 %	5.00 %	- %	(4.00)%	(9.00)%	(12.00)%
2018	19.00 %	13.00 %	6.00 %	- %	(4.00)%	(9.00)%	(13.00)%

Money Markets (Excluding Fixed Deposits)

Effect on value of money markets (excluding fixed deposits)

R'billion	(150)	(100)	(50)	-	50	100	150
2017	2 699	2 693	2 687	2 682	2 676	2 670	2 664
2018	4 989	4 977	4 966	4 955	4 943	4 932	4 921

Effect on surplus/deficit

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

					2018 R '000	2017 *Restated R '000
38. Risk management (continued)						
%	(150)	(100)	(50)	-	50	100
2017	0.66 %	0.44 %	0.22 %	- %	(0.22)%	(0.43)%
2018	0.69 %	0.46 %	0.23 %	- %	(0.23)%	(0.46)%

Money Markets (Including Fixed Deposits)

Effect on value of money markets (including fixed deposits)

R'billion	(150)	(100)	(50)	-	50	100	150
2017	13 076	13 052	13 027	13 004	12 980	12 955	12 932
2018	15 142	15 112	15 080	150 511	15 020	14 990	14 960

Effect on surplus/deficit

%	(150)	(100)	(50)	-	50	100	150
2017	(0.56)%	(0.38)%	(0.10)%	- %	(0.18)%	(0.37)%	(0.55)%
2018	(0.61)%	(0.41)%	(0.20)%	- %	(0.20)%	(0.40)%	(0.60)%

Liquidity risk

Liquidity risk arises when there are insufficient liquid assets (cash and readily convertible securities) available to meet financial obligations.

The UIF'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).

The Fund's strategic asset allocation stipulates that minimum 10% to maximum 30% of the total holdings must comprise of liquid assets.

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.

Asset allocation ranges and attribution analysis on overall performance passive benchmark as per investment mandate.

The below investment mandate was implemented from 1st February 2016 applying a phased in 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 realized losses.

The new investment mandate is structured as follows:

Category	Asset allocation Ranges (%)	Strategic asset allocation (%)
Cash and Money Market	1-10	5.00 %
Capital Market: Nominal Bonds	20-40	27.50 %
Capital Market: CPI Linked Bonds	20-40	30.00 %
Domestic Equity	10-30	24.00 %
Listed Property	0-5	2.50 %
African Investments	0-5	2.00 %
Foreign Investment	0-10	4.00 %

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
38. Risk management (continued)		
Unlisted Property	1-7	5.00 %

Social Responsible Investment

Social Responsible Investments was not modelled as a separate asset class since it is a theme across other asset classes and could be listed or un-listed instruments. The decision to invest in Social Responsible Investments is a tactical decision made on a case-by-case basis. The maximum strategic asset allocation for Social Responsible Investments is capped at 20% with a permitted range of 10%-30%.

Social Responsible Investment will be allocated as follows:

Category	Asset allocation Ranges (%)	Strategic asset allocation (%)
Cash and Money Market	5% - 20%	10.50 %
Capital Market: Nominal Bonds	4-10	7.50 %
Capital Market: CPI Linked Bonds	2-10	5.00 %
Equity	4-10	7.50 %

The portfolio asset allocation as at 31 March 2018 was as follow:

Category	Value (R'000)	Actual asset allocation (%)	Difference (%)
Capital Market	88 394 193	56.00 %	- %
Money Market	15 050 749	10.00 %	- %
Trading Cash	1 096 821	1.00 %	- %
Unlisted Property	132 867	- %	- %
Listed Property	5 350 523	3.00 %	- %
Domestic Equity	32 132 568	21.00 %	- %
Equity Derivative	105 871	- %	- %
Global Equity	4 781 136	3.00 %	-
Total	147 044 728	3.00 %	- %
Social Responsible Investments: Unlisted Debt	7 132 711	5.00 %	- %
Social Responsible Investments: Unlisted Equity	2 568 049	1.00 %	-
Total	156 745 488	Total value of the Fund's portfolio including SRI's	

Maturity profile on financial assets

2018	Receivable on demand (R'000)	0 - 12 months (R'000)	1 - 3 years (R'000)	3 - 7 years (R'000)	> 7 years (R'000)	Total (R'000)
Money Market	-	13 994 852	-	-	-	13 994 852
Capital Market	-	1 856 059	2 926 872	20 135 241	64 692 344	89 610 516
Cash and cash equivalents	2 719 018	-	-	-	-	2 719 018
Listed equity	-	41 398 291	-	-	-	41 398 291
Investment income receivable	244 473	-	-	-	-	244 473
SRI	-	-	-	-	8 697 365	8 697 365
	2 963 491	57 249 202	2 926 872	20 135 241	73 389 709	156 664 515

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000
38. Risk management (continued)		
2017		
	Receivable on demand (R'000)	0 - 12 months (R'000)
Money Market	-	13 004 006
Capital Market	-	1 734 455
Cash and cash equivalents	1 297 425	-
Listed equity	-	39 902 694
	1 297 425	54 641 155
	1 803 209	16 068 126
	57 022 965	130 832 880

The following table analyses the Fund's financial liabilities which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 6 to 12 months equal their carrying balances as the impact of discounting is not significant.

Prior year correction

Previously stated

Maturity profile of the financial assets	Receivable demand	0-12 Months	1-3 Years	3-7 Years	7>Years
Money market	-	12 833 694	-	-	-

Currently stated

Maturity profile of the financial assets	Receivable demand	0-12 Months	1-3 Months	3-7 Years	7> Years
Money market	-	12 677 272	-	-	-
Commercial papers	-	156 422	-	-	-
	-	12 833 694	-	-	-

Maturity analysis on financial liabilities

2018	Payable on demand (R'000)	Within 1 month (R'000)	Within 3 months (R'000)	Within 12 months (R'000)	Total (R'000)
Trade and other payables	-	209 726	-	-	209 726
Salary accrual	-	6	15	15	36
Deposits received	5 703	-	-	-	5 703
Bank overdraft	24	-	-	-	24
	5 727	209 732	15	15	215 489

2017	Payable on demand (R'000)	Within 1 month (R'000)	Within 3 months (R'000)	Within 12 months (R'000)	Total (R'000)
Trade and other payables	-	267 570	-	-	267 570
Salary accrual	-	4 782	11 977	15 304	32 063
Deposits received	6 309	-	-	-	6 309

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018				2017
	R '000				*Restated R '000
38. Risk management (continued)					
Bank overdraft	13	-	-	-	13
	6 322	272 352	11 977	15 304	305 955

Template error : disclosure note not casting correctly in 2015/2016 financial year

Previously Stated

Maturity analysis on financial liabilities	Payable on demand	Within one month	Within 3 month	Within 12 month	Total
Trade and other receivables	-	247 303	-	-	247 303
Salary accrual	-	5 030	11 695	15 161	31 886
Deposit received	6 207	-	-	-	6 207
Bank overdraft	11	-	-	-	11
	6 218	257 363	23 390	30 322	285 407

Currently Stated

Maturity analysis on financial liabilities	Payable on demand	Within one month	Within 3 months	Within 12 months	Total
Trade and other receivables	-	247 303	-	-	247 303
Salary accrual	-	5 030	11 695	15 161	31 886
Deposit received	6 207	-	-	-	6 207
Bank overdraft	11	-	-	-	11
	6 218	252 333	11 695	15 161	285 407

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 PIC's credit decisions include credit rating agencies assessments of the general operating environment, the competitive market position of a counterparty or issuer, reputation, deal tenor as longer dated deals increases uncertainty of repayment, the level and 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. A credit risk policy has been approved by the Fund, which is a standard inclusion in the investment mandates. The current investment policy states that listed investments will be done with issuers that have a credit rating of at least "A" from one of the recognised domestic and /or International credit rating agencies.

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.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

UIF's mandate only allows investments in listed instruments that are rated and listed on an approved exchange. The use of PIC developed models, the DI900 as a guide on limit setting for Banks, as well as the rating of external credit rating agencies are used to manage credit risk further. The mandate permits investment in the following asset classes, cash, money markets, capital markets and domestic equities.

The following graph shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives, with external credit ratings as at 31 March 2016:

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 PIC 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 PIC output are benchmarked against external sources to ensure accuracy and reliability.

Sovereign risk

The Fund is invested in domestic assets only and has no direct sovereign exposure.

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.

Currency risk

Currency risk is the potential financial loss or adverse cash flow resulting from unanticipated movement in exchange rates. No foreign assets or denomination in foreign currency were held during the financial year under review, therefore there was no exposure to currency risk.

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 financial instruments are exposed to these risks.

In accordance with chapter 6, paragraph 48 of the Public Finance Management Act (Act no. 1 of 1999), the Fund is classified as a Schedule 3 "National Public Entity".

In terms of section 55(1) of the Public Finance Management Act, the Unemployment Insurance Fund is required to comply with South African Statements of Generally Accepted Accounting Practice, unless the Accounting Standards Board approves the application of Generally Recognised Accounting Practice.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

38. Risk management (continued)

The Unemployment Insurance Fund received contribution revenue in accordance with the Unemployment Insurance Contributions Act, 2002 and pays Unemployment Insurance benefits including the recovery of benefits paid in error in accordance with the Unemployment Insurance Act (Act no. 63 of 2001).

The Unemployment Insurance 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 Unemployment Insurance Act (Act no. 63 of 2001) the Fund issues regulations in an effort to mitigate the risk of interpretation and complies with regulations issued regarding other applicable legislation.

The Funds Internal Audit and Risk Management sections undertake frequent reviews to ensure compliance where the Fund has interests.

Litigation Risk

Legal proceeding 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 settle or defend litigation against the Fund depending on the circumstances of the case and external lawyers are involved when required.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

39. Related parties

The UIF has identified the following as related party transactions, which are considered to be significant transactions.

The debt balances were as follows:

	2018	2017
Edenvision Medical Holdings (Pty) Ltd	92 158	-
Adowa Infrastructure Managers (Pty) Ltd	30 930	7 344
Afric Oil (Pty) Ltd: Preference shares	99 567	-
Afric Oil (Pty) Ltd: Senior loan	211 791	213 450
Busamed Modderfontein Private Hospital (Pty) Ltd	441 651	393 853
Fountain Civil Engineering (Pty) Ltd	104 135	80 801
LA Crushers (Pty) Ltd: Mezz Loan	16 834	49 856
LA Crushers (Pty) Ltd: Term Loan	62 099	-
Royal Bafokeng Resources Properties (ty) Ltd	982 385	502 348
Royal Energy (Pty) Ltd	211 944	133 412
Solar Capital De Aar 3 (Pty) Ltd	-	243 509
Edu-Loan (Pty) Ltd	57 163	57 100
Spilled Water Renewable Energy (Pty) Ltd	79 735	77 128
Industrial Development Corporation of South Africa Ltd	1 022 853	-
Mining Oil & Gas Services (Pty) Ltd	455 297	50 994
Kefolile Consumer Brands Holdings (Pty) Ltd	204 737	206 732
Kefolile Health Investments Holdings (Pty) Ltd	1 035 180	954 163
Mobile Specialised Technologies Group (Pty) Ltd	22 636	-
World Marine Energy (Pty) Ltd	105 364	-
	5 236 459	2 970 690

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

39. Related parties (continued)

Related party transactions

The UIF operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government will be considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of Corporate Executives up to the Board of Directors are regarded as key management.

Close family members of key management are considered to be those family members who may be expected to influence, or be influenced by key management individuals or other parties related to the entity.

The following transactions pertaining to the major related parties to the Unemployment Insurance Fund are disclosed:

Unemployment alleviation schemes

Section 48(1)(a)(iv) of the Unemployment Insurance Act, 2001 as amended stipulates that the Unemployment Insurance Board must advise the Minister on the creation of schemes to alleviate the effects of unemployment.

The Minister of Labour approved in principle projects to provide funding to "Poverty Alleviation Schemes" including up-skilling/training to the unemployed and Social Plan funding. The up-skilling/training and Social Plan funding are to be executed in close relationship with the National Skills Fund (NSF), the various Sector Education Training Authorities (SETA's) and other Government Departments engaged in poverty/unemployment alleviation initiatives.

Productivity South Africa

The Social Plan is implemented through Productivity South Africa. Productivity South Africa implements Turnaround Solutions to companies that want to improve their productivity. This services has also been extended to companies that are in distress through UIF funding.

There were no year-end balance arising from the above transactions included in "Trade and other payables" for the current and previous financial years.

The contractual commitment as at 31 March 2018 amounted to R63,939,744.30 (2016: R201,322,000).

Technical, Vocational, Education & Training(TVET) and various Sector Education Training Authorities (SETA's)

The Training of the Unemployed is executed in close relationship with the TVET's, the various Sector Education Training Authorities (SETA's) and other Government Departments engaged in poverty/unemployment alleviation initiatives. Skilling of the unemployed in general and the UIF beneficiaries is needed in order to improve their chances to be reintegrated back into the employment environment.

Year-end balance arising from the above transactions included in "Trade and other payables" - R33,091,629.60.(2017: R49,936,984) comprising of MERSETA R11,395,983.33 (2017: R13,932,930), TETA R13,548,180.00 (2017: R 12,936,916) and TVET College R5,233,261.20 (2017: R8,107,070).

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

39. Related parties (continued)

The contractual commitments as at 31 March 2018 amounted to R351,474,915.67 (2017 :R 111,697,694.67) comprising of, MERSETA R99,182,061.60 (2017: R36,697,695),TETA R111,500,392.65 (2017: R123,257,742.28) and AgriSeta (R15,424,827.08). Contractual commitments with TVET Colleges amounted to R88,878,034.34 (2017: R35,714,520). Contractual commitments with Provincial Government Agencies amounted to R 36,489,600.

Training Lay-off Scheme

Training Layoff Scheme(TLS) is temporary suspension of work for a worker or a group of workers that will be sent for training. The scheme is aimed at companies that are in distress due to economic conditions and at workers who may be at risk of retrenchment that might become unemployment claimants.

The Training Layoff Scheme(TLS) depends on an agreement between an employer and workers that there will be continued employment and that the employer will pay all contributions to social security benefits during the training period. The worker(s) agree to forego their normal wage, to attend the training programme and to accept a training allowance during the period of training. Employers gain a recovery period by reducing payroll costs for a period of six months and improve the skills of their workers at limited cost to the company.

The various Sector Education Training Authorities (SETA's) facilitate the training interventions.

Applications to participate in the project include the design elements as agreed by the social partners announced by the President on 5 August 2009 and go through a strict process that includes the Commission for Conciliation, Mediation and Arbitration (CCMA) and a Project Evaluation Committee (PEC) convened by the UIF.

Department of Labour

The Director-General of the Department of Labour is the Accounting Authority of the Unemployment Insurance Fund that forms part of the Department's Programme 5: Social Insurance.

The Unemployment Insurance Fund shares various resources with the Department of Labour. Cost incurred by the Department of Labour on behalf of the Unemployment Insurance Fund in executing its mandate in accordance with the Unemployment Insurance Act (Act no. 63 of 2001) is recovered from the Fund in accordance with agreements between the Department and the Fund.

The following costs were incurred by Department of Labour on behalf of the Fund:

Employee cost	1 179 518	1 040 631
Administrative expenses	238 534	307 534
Other operating expenses	3 674	3 353
	1 421 726	1 351 518

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

39. Related parties (continued)

Year-end balance arising from the above transactions included in "Trade and other payables" - R 56,494,659.55 (2017: R112,129,089.57).

Administration expenses

The expenditure incurred during 2016/17 financial year by the Department of Labour on behalf of UIF was understated by R 92,731,248.00.

Previously stated : R 214,802,725.37

Currently stated : R 307,533,973.37

Trade payables

During 2016/2017 audit the balance relating to Department of Labour disclosed in trade payables was overstated with R 92,731,248 for SAP licences and R 19,397,841.47 DoL expenditure..

Previously stated R 230,442,553

Currently stated R 112,129,089.57

The following transactions were carried out with the Department of Labour

Rental income

Rental of offices and diginet lines	922	1 525
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Year-end balances arising from the above transactions are included in "Trade and other receivables, Sundry Debtors" - R206,721.10(2016: R1,456,546.43)

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

39. Related parties (continued)

South African Revenue Service

Unemployment Insurance Contributions is regulated by the Unemployment Insurance Contributions Act, sections 8 and 9, which are administered by the SARS Commissioner.

The relationship between the South African Revenue Service and the Unemployment Insurance Fund is strictly regulated by the Unemployment Insurance Contributions Act, 2002. Collection costs are charged to the Unemployment Insurance Fund on a monthly basis equal to one and a half percent of the total amount of the contributions collected.

The following transactions were carried out with the South African Revenue Service:

Contributions collected

- Contributions collected - received	17 854 626	17 441 141
- Penalties	245 121	236 055
- Interest	171 384	179 472
	18 271 131	17 856 668

Collection costs charged

- Collection fees	274 067	267 401
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Year-end balance arising from the above transactions is included in "Statutory Receivables" - R1,657,479,968.71 (2017 R1,718,671,946.00) and other payables" - R24,862,199.53 (2017 R25,780,060.11)

Public Investment Corporation Limited (PIC)

In terms of the Unemployment Insurance Act (Act no. 63 of 2001), as amended, the Unemployment Insurance Fund appointed the Public Investment Corporation Limited as its Investment Manager to invest, manage and administer investments for the Unemployment Insurance Fund on the terms and conditions of an agreed mandate.

The following transactions were carried out with PIC:

Transfers

- Net contributions transferred to PIC for investments	7 700 000	5 500 000
--	-----------	-----------

Paid

- Management fees paid to PIC	159 236	164 048
- Equity transaction cost	20 290	41 002
	179 526	205 050

Year end balances arising from the above transactions:

- R1,120,112,434.63(2017: R809,832,545.21) PIC UIF bank account (funds not invested in instruments), included in "Cash and Cash Equivalents". PIC manages this account on behalf of the Fund.
- R17,441,591.04 (2017 R17,029,608) Management payable fees payable to PIC, included in "Trade and Other Payables".
- R7,598,710.91 (2017: R8,533,378) Investment expenditure payable to PIC, included in "Trade and Other Payables".

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

39. Related parties (continued)

- R154,359,476,006.28(2017: R134,333,871,008.34) Financial assets managed by PIC on behalf of the Fund.

40. Budget information

The Fund aligns its budget priorities with that of National Government and the Department of Labour by ensuring the budget delivers on priorities such as efficient service delivery, poverty alleviation and building sound institutional arrangements.

The Unemployment Insurance Fund presents its approved budget on a zero basis and the financial statements on the accrual basis. The budget is approved on a zero basis by classification of expenditure by nature and covers the fiscal period 1 April 2017 to 31 March 2018.

The financial strategy of the Fund takes into account the requirements of the PFMA and National Treasury Regulations which requires 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 Unemployment Insurance 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 Unemployment Insurance Fund however carries the liability of future claims based on the contribution received.

Written approval is annually obtained from the National Treasury to retain surplus funds according to the PFMA Section 53 (2).

Changes from the approved Original Budget to the approved Revised Budget

Operating items such as contributions, investment income and benefit expenditure were reviewed based on latest trends and activity levels and updated actuarial valuation reports.

Contribution revenue were revised up based on a revenue indicator measure model which is linked to a number of economic variables in the setting of assumptions for revenue on an annual basis. Contribution revenue for budget purposes is based on the relationship between actual past revenue, CPI and GDP.

The increase in investment income was based on the expected growth of the Fund's investment portfolio with the revised estimated surplus as per the actuarial valuation report of 2017.

The Funds Actuarial valuation of 31 March 2018 enquired higher reserving based on the claims experience together at that stage with expectations of subdued recovery of the economic conditions were the main reasons behind the increase in technical reserving.

In addition to reserving, the Fund utilises the actuarial report to budget for benefit payments.

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

40. Budget information (continued)

Comparison of budget and actual amounts

40.1 Reconciliation of budget surplus with the surplus in the Statement of Financial Performance

	2018 Actual (R'000)	2018 Budget (R'000)	2018 Variance (R'000)
Net surplus according to the Statement of Financial Performance			9 715 473
Revenue	18 740 065	20 050 163	1 310 097
Benefit payments	(9 227 370)	(10 282 977)	(1 055 607)
Change in benefit payments	(8 326 471)	(2 389 071)	5 937 399
Unemployment alleviation schemes	(48 673)	(889 466)	(840 793)
Impairment	(450)	-	(450)
Other income	22 169	1 967	(20 202)
Auditors remuneration	(8 143)	(12 900)	(4 757)
Administrative cost	(468 065)	(708 001)	(239 937)
Depreciation and impairment	(48 101)	(183 372)	(135 271)
Employee cost	(1 168 993)	(1 502 214)	(333 221)
Other operating expenditure	(430 646)	(876 600)	(445 954)
Investment revenue	9 446 020	10 451 287	1 005 267
Fair value adjustments	(3 859 251)	-	(3 859 251)
Finance cost	-	(3)	(3)
Unearned premium reserve	(2 625 121)	(464 623)	2 160 498
Net surplus per approved budget			13 194 189

Budget surplus

Budget surplus as approved by the Minister	12 971 679
Plus: Capital budget and virements	222 510
	13 194 189

The main variances between actual expenditure and income and the revised budget can be attributed to the following :

	2018 Variance R'000
The main variances between actual expenditure and income and the revised budget can be attributed to the following :	

40.2 Revenue

6.53% less revenue collected than the budgeted amount. The budget for revenue is based on a revenue indicator developed for the Fund, which utilises a combination of projected CPI and GDP to determine the likely rate of growth in the revenue of the Fund. Based on this revenue indicator, revenue projected was slightly more than the actual amount collected during the 2017/18 financial year.

1 310 097

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
40. Budget information (continued)		
		2018 Variance R'000
40.3 Benefit payments		
The budget was compiled based on the expected economic conditions and past events in South Africa.		1 055 607
The unemployment rate increased at a lower rate than expected during the 2017/18 year. The average unemployment rate for 2017/18 was 27.45, 0.72% higher than the average unemployment rate of 26.73% in 2016/17.		
40.4 Unemployment alleviation schemes		
The Unemployment Alleviation Schemes budgeted amount took into consideration projects in the implementation phase and projects that were on hold but due for implementation in the 2017/2018 financial year. The above estimation included the budget for anticipated projects to be acquired through Expression of Interest. An total amount of R889 million was budgeted for the year under review. R689 million was budgeted towards the Training of the Unemployed because of the anticipated increase in the funding of new training projects. However the delays on the finalisation of the evaluation process and inadequate supporting documents submitted by service providers for payment has led to 94% under-expenditure of the budgeted amount. R200 million was budgeted for expenditure on the Training Layoff Scheme and the Social Fund (Turnaround Solution). The Fund reviewed the Labour Activation Programme (LAP) validation processes and implemented additional controls during financial year under review. The changes effected stricter measures on the approval of applications relating to the Training Lay-off Schemes (TLS) and Turnaround Solutions (TAS) funding. This led to only 10% being spent under this scheme based on validated applications that adhere to the control measures put in place.		840 793
40.5 Other income		
An increase in rent is due increase digital lines resulting from the increase in staff compliment and office space. Recovery of overpayments written off was not budgeted for because it formed part of normal overpayments recoveries. A split which separates normal recoveries from those received from debts written off was done. The Cash surplus account contains untraceable deposits which are under investigation. Insurance Claim Settlements account was not budget for however the amount received was due to insurance settlements towards lost items claimed for. This account contains a once of payment received (settlement) for a property that was sold in the Eastern Cape – Alice.		20 202

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
40. Budget information (continued)		
40.6 Auditors fees		
36.88% less than budget. As at the end of the financial year, the Fund had paid invoices relating to the finalisation of the 2016/17 audit. During the conclusion of the financial year 2017/18 the audit was still in process and not concluded due to timelines set by the PFMA to submit annual financial statements.		4 757
40.7 Administrative cost		2018 Variance R'000
Savings incurred by the Fund on various budget items as a result of cost containment measures that were implemented in order to comply with the cost containment measures as imposed by the National Treasury.		
37.96% saved against the following main budget items:		239 936
Stationery and Printing: Cost containment measures implemented to comply with the circular issued by National Treasury.		15 821
Venues and Facilities: The Fund continues to consider the cost-effective options when hosting events and meetings to comply with cost containment measures.		4 380
Entertainment/Catering: The Fund continues to consider the cost-effective options when hosting events and meetings to comply with cost containment measures.		4 332
Advertising: Cost containment measures to comply with the circular issued by National Treasury.		20 865
External IT services: Specialised external system maintenance and support, SITA services and software licences expenditure were less than the amount budgeted for. The SAP maintenance and support and queue management are some ICT projects not finalised during the current year.		82 329
SARS commission: budget is based on the higher contributions revenue anticipated as projected by the Fund's actuaries.		45 519
40.8 Depreciation and impairment		
Depreciation is 73.77% less than the budget amount due to the capital ICT projects which were not finalised during the financial year under review, with specific reference to the infrastructure upgrade in labour centres, end user devices and SAP implementation release 02 and the maintenance of the data centre. The Fund re-assesses the useful life of assets on an annual basis in line with GRAP 17. In addition there were impairment realised on the Sunnyside and 94 WF Nkomo building during the current financial year.		135 271
40.9 Employee cost		
22.18% saving against the following main budget items: The Unemployment Insurance Fund is reflecting a 22.11% underspending on employee cost in comparison to the budget. The Fund observes the compensation budget limits as directed by National Treasury to curb the wage bill. The Fund will continue to focus on service delivery focal points (labour centres).		333 221

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
40. Budget information (continued)		
40.10 Operating expenses		2018 Variance R'000
Saving against the following main budgeted items:		
46.8% saving on Operating expenses against the following main budgeted items:		445 954
Management and investment fees. As from 01 February 2016 the Fund increased its Strategic Asset Allocation (SAA) towards Social Responsible Investments (SRI) from 10% of the Total Value of the Portfolio to 20% of the Total Value of the Portfolio. When the budget was calculated implementation cost of the new mandate was estimated higher due to the fact that Initial Commitment Capital fees of new instruments are substantially higher than subsequent management fees. Trading activity in the Portfolio also decreased due to unfavourable market conditions. The type of unlisted instrument that will be procured during the financial year cannot be predicted beforehand since it depends what is available in the market or what project is developed. There will therefore always be a difference between the budget amount and the amount actual amount paid towards management fees that can't be estimated.		267 497
Consumables: Cost containment measures to comply with the circular issued by National Treasury.		3 398
Communications: cell phones, telephone ,postage. Cost containment measures to comply with the circular issued by National Treasury.		34 142
Travel and Subsistence: The Fund is complying with National Treasury Instructions issued in 2017/18 financial circular to reduce spending on travelling.		25 554
40.11 Investment revenue		
The South African economy remained in turmoil during the 2017/18 financial year which resulted in the Fund implementing a conservative budget approach. Although the Portfolio Return underperformed the SWIX Benchmark by -0.38% for 12 months and the Fund implemented hedge positions to mitigate the Equity Portfolio's current concentration risk exposure to Naspers the investment revenue managed to outperform the budget.		1 005 267
40.12 Fair value adjustments		
The Fund does not budget for Fair value adjustments as it reflects market movement on investment instruments.		3 859 251
40.13 Unearned premium reserve		
Unearned Premium Reserve" is budgeted for but disclosed in the "Statement of Changes in Net Assets" and not in the "Statement of Financial Performance		2 160 498

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018 R '000	2017 *Restated R '000
41. Changes from the approved to final budget		
Main changes from approved to final budget		
Revenue	R1 348 437	
The Revenue budget was adjusted in line with actuarial estimates for the 2017/18 year based on expected economic conditions		
Benefit payments	(R1 479 888)	
The budget for benefit payments was adjusted in line with actuarial estimates for the 2017/18 year based on expected economic conditions.		
Change in Benefit Payments	(R2 128 796)	
The change in benefit payments budget was adjusted in line with actuarial estimates for the 2017/18 year based on expected economic conditions, and in accordance with the required benefit payment reserves.		
Unemployment alleviation schemes	(R129 466)	
In an effort to enhance employability of the Fund's beneficiaries through learning and/or work opportunities, targets were revised to a considerably higher number of beneficiaries to be trained. The budget for unemployment alleviation schemes was therefore revised upwards		
Investment Properties: Property Management fees	(R49 078)	
These fees are levied by the investment manager on a quarterly basis and based on the final valuation of properties. The averaged value for the Fund's properties increased from 2017 to 2018 and therefore the management fee increased which ultimately resulted in the Budget increase		
Investment Portfolio Management	(R13 000)	
Management fees are levied based on the daily market value of the portfolio. As the portfolio grows, so will the management fees. The budget is estimated based on Actuarial forecasts. These forecasts are conservative and the portfolio growth has already surpassed the forecasted figures. In addition, the management fees for the external managers needs to be added. These fees are based on their performance which cannot be estimated for budgeting purposes. These factors led to the budget increase.		
Management fees	(R209 417)	
The Fund increased its exposure to Social Responsibility Investments (SRI's) through the revised investment mandate. The exposure increased Another change is that investments are not spread out over a 5 year period but rather investments are made in full upfront. Management fees on SRI investments are 150 bps per annum on the initial capital committed during the initial commitment period after which the fees are 100 bps per annum on the investment value.		
ICT projects	(R39 165)	

Unemployment Insurance Fund

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

	2018	2017
	R '000	*Restated R '000

41. Changes from the approved to final budget (continued)

The Fund revised its plans and budget upwards to make its services more accessible by offering free Wi-Fi at its 126 labour centres and 400 visitor sites. An estimated 96 provincial sites are expected to be upgraded and 126 sites, at a cost of R9.5 million over the medium term. The planned upgrades include improvements to staff capacity, IT infrastructure and operating systems. The budget was therefore revised upwards to accommodate planned ICT projects

Staff cost (R50 839)

Additional capacity requirements were identified in the areas of Client Service Officers at processing centres, the Call Centre, and Risk Management in Provincial offices

Commission paid to SARS (R15 245)

The budget for Commission was adjusted upwards in line with increase in Contribution income

Property expenditure (R14 250)

The increase in revised budget is due to the increase in expenditure and estimates for the remainder of the financial year for cleaning of Provincial Office and Head Office buildings and Municipal Services – 94 Church Street and ABSA Towers

Investment Revenue R815 925

The Investment Income budget was adjusted in line with actuarial estimates for the 2017/18 year based on best-estimate basis, allowing for the time value of money and allowing for an explicit risk margin

Unearned Premium Reserve R873 701

The change in benefit payments budget was adjusted in line with actuarial estimates for the 2017/18 year based on expected economic conditions

42. Events after the reporting date

The financial statements were authorised for issue on 30 May 2018 and were authorised by the UIF advisory board.

Conditions at the reporting date:

As at reporting date there were some equity accounted SRI's investments for which we had not yet received signed financial statements.

The following were the SRI's for which UIF subsequently received financial information:

1. Signed financial statements for Resultant Finance (Pty) Ltd for year ended 28 February 2018
2. Signed financial statements for South Point Management Service (Pty) Ltd for year ended 28 February 2018
3. Signed financial statements for Razorite Health & Rehabilitation Fund en Commandite Partnership for year ended 31 March 2018
4. Signed financials for Educor Property Holdings (Pty) Ltd for year ended 31 December 2017
5. Draft financial statements for UIF Agri-Fund 1 en Commandite Partnership for year ended 31 December 2017
6. Signed financials for Gurb Investments (Pty) Ltd for year ended 31 March 2018

The disclosures that relate to these SRI's were subsequently updated in light of the new information received.



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