



Monies in trust kept in the
Guardian's Fund
2006/07

DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT



the doj & cd

Department:
Justice and Constitutional Development
REPUBLIC OF SOUTH AFRICA

TABLE OF CONTENTS

Part 1: Report of the Accounting Officer	4
Part 2: Report of the Audit Committee	10
Part 3: Report of the Auditor-General to Parliament	12
Part 4: Annual Financial Statements	16
4.1 Statement of Financial Performance for the year ended 31 March 2007	16
4.2 Statement of Financial Position for the year ended 31 March 2007	17
4.3 Statement of Financial Position for the year ended 31 March 2006	18
4.4 Statement of Changes in Net Assets as at 31 March 2007	19
4.5 Cash Flow Statement as at 31 March 2007	21
4.6 Cash Flow Statement as at 31 March 2006	22
4.7 Accounting Policies for the year ended 31 March 2006	23
4.8 Notes to the Financial Statement for the year ended 31 March 2007	24
4.9 Notes to the Financial Statement for the year ended 31 March 2006	33

Part I

Report of the Accounting Officer



Guardian's Fund

Report of the Accounting Officer

GENERAL REVIEW

I am pleased to report on the operations of the Guardian's Fund, the challenges experienced and the progress made during the year under review.

The Guardian's Fund has made significant progress in the past financial year in addressing and rectifying problems that have occurred in the past. Long-standing areas of concern in the administration of the fund and financial reporting have either been addressed or action plans have been put in place to remedy them.

The manual accounting and administration systems that were no longer able to cope with the current growth of the fund are in the process of being converted to automated work-flow systems.

THE ACCOUNTING ENVIRONMENT TURNAROUND PROJECT

It has become increasingly obvious that an urgent intervention in the form of financial and accounting oversight is required at the Guardian's Fund, as the fund is failing to cope with the new demands placed upon it with the growth in the demand for its services.

There had been little or no change in the operational model of the Guardian's Fund as far as systems and structures are concerned, and the hundreds of transactions per day involving beneficiaries and their monies are still being processed manually.

This situation steadily contributed to the deterioration in the quality of the service of the fund to the public and consequently in reports on its activities. Indeed, since 1992, the Auditor-General found it increasingly difficult to perform his audit on the activities of the fund because of the cumbersome and antiquated systems, and henceforth included comments to this effect in his reports.

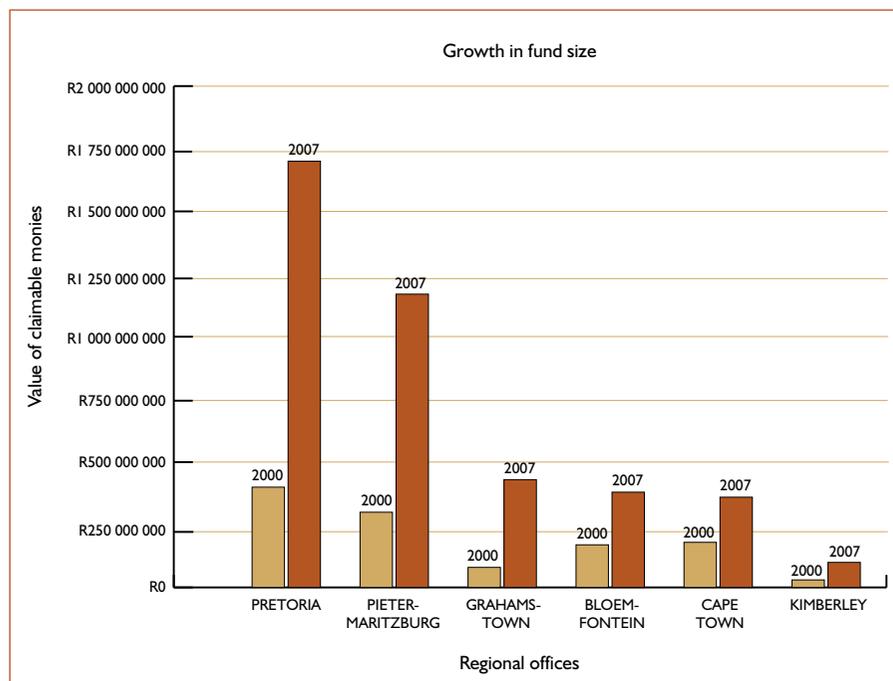
Another challenge was that emerging trends in accounting reporting standards were getting increasingly sophisticated and financial statements for the Guardian's Fund were supposed to be in accordance with Generally Accepted Accounting Practice (GAAP).

The Guardian's Fund has failed to get an unqualified audit report since 1998 because of the weaknesses in the processing and accounting environment. This state of affairs was made worse by the rapid increase in fund size.

The Office of the Chief Financial Officer (CFO): Department of Justice and Constitutional Development (DoJ&CD) had never been directly involved in the financial management of the Master's Branch as a result of some ambiguity in the roles of the Chief Master and the Chief Financial Officer. Fortunately, clarification of this ambiguity by way of a legal opinion from the State Law Advisors opened the way for the formulation and implementation of the Accounting Environment Turnaround Project in the Guardian's Fund, led by the office of the CFO: DoJ&CD.

The following weaknesses were identified that impacted on the Guardian's Fund:

- a) Staff capacity constraints
Not enough resources to perform the functions necessary to discharge the mandate of the fund.
- b) Skills shortage
The range of accounting and financial skills required to effectively implement and maintain financial controls and systems is lacking in the majority of the current Guardian's Fund staff members.
- c) Inadequate/antiquated accounting systems
The prevailing accounting systems in place at the Guardian's Fund are outdated and have not kept up with recent developments in technology and demands.
- d) Evolving financial accounting standards
The financial reporting environment is constantly changing and users of financial statements must now be provided with more detailed and sophisticated information. GAAP now prescribes certain minimum information that the Guardian's Fund has not been geared to provide.
- e) Explosive growth in fund size
With the opening up of the democratic space, the fund has grown drastically in the level of activity, but this growth has not been matched with capacity expansion in terms of infrastructure, staff complement or system upgrade .



It is clear that the Guardian's Fund has become a major financial institution, albeit as a division in the Master's Branch. A paradigm shift is required to adequately resource and staff this institution and place it firmly on the path to operational efficiency in keeping with its stature and mandate.

I am happy to report that the management of the Guardian's Fund has been equal to the task and the Office of the Chief Master, with assistance from the Office of the CFO, has comprehensively implemented restorative measures and continued to manage ongoing activities designed to address the identified challenges.

In response to the capacity challenges, the Master's Branch underwent a rightsizing exercise to improve service delivery and increase staffing capacity in the Guardian's Fund. The Human Resources Branch is

currently finalising the process of matching and placing officials affected by the revised structure to the new posts before embarking on a major recruitment drive to bring the fund to full strength. It is anticipated that this process will be brought to a swift conclusion by the recent engagement of additional external expertise to increase capacity in the Human Resources Branch undertaking this important exercise.

Staff training and standardised procedure development, led by the Office of the CFO, were implemented with notable successes. Additional assistance in the form of the coordination of the annual audit and secondment of additional financial expertise to this branch to rapidly infuse it with the right calibre skills in the ongoing effort to transfer skills are underway by the Office of the CFO.

THE GUARDIAN'S FUND SYSTEM (GFS)

The computerisation of the Guardian's Fund has been the objective of a complementary project to the Accounting Environment Turnaround Project. Led by the Office of the Chief Master, this complex and ambitious exercise will revolutionise the way we serve the public with the Guardian's Fund.

This development has taken a modular and phased approach with the finalisation and implementation of a computerised administration module to be rapidly integrated with a financial reporting module: The data verification and migration phase of the project has been the most sensitive and time-consuming aspect of the project. The major challenge with beneficiary information previously kept in manual documents is to correctly capture and transfer information to the computer system.

This process has been successfully completed and the Guardians Fund System has been rolled out in three of the Guardians Fund offices at:

- Bloemfontein (on 1 April 2006)
- Kimberley (on 1 April 2006)
- Cape Town (on 17 January 2007).

Guardian's Fund

Report of the Accounting Officer

For the remainder of the offices (Pietermaritzburg, Grahamstown and Pretoria), a two-pronged approach was adopted whereby the computer system is in effect for all new matters. For existent 'old' matters, the data verification and migration happen in parallel.

It is anticipated that the Guardian's Fund administration system will be rolled out in the three remaining Guardian's Fund offices during the financial year ended 31 March 2008:

- Pietermaritzburg (on 7 May 2007)
- Grahamstown (on 1 October 2007)
- Pretoria (on 1 January 2008).

Despite the progress made so far, further financial accounting, financial reporting and management reporting enhancements are required to make this system a fully-fledged Guardian's Fund financial administration system. Substantial progress was made in this regard and some of these enhancements have already been rolled out in the Guardian's Fund offices.

Some of the remaining challenges include the integration of a financial system with the Guardian's Fund administration system to automate financial reporting of the Guardian's Fund's monthly/yearly results. Some specific requirements of GAAP, for example, fair valuation of the Guardian's Fund beneficiary liabilities, will also be developed in the Guardian's Fund administration system.

TBVC LOSSES

Prior to 1994, the TBVC states (Transkei, Bophuthatswana, Venda and Ciskei) controlled and administered their own Guardian's Funds independently to the Republic of South Africa.

The Department of Justice of the Republic of South Africa had no jurisdiction or influence over the management or financial control of these funds.

After 1994, the TBVC states' Guardian's Funds were 'closed down' and incorporated into Guardian's Fund offices in the Republic of South Africa. When it became evident, that the funds that were transferred were less than the amounts due to the beneficiaries, an investigation was launched to determine the extent and reason for these shortfalls.

The investigation determined that these losses were due to a combination of non-investment of beneficiary monies and possible fraud. The shortfall arising on transfer has not yet been made good. It is furthermore envisaged that this shortfall will be absorbed into the department's own budget and that no Guardian's Fund beneficiaries will be prejudiced.

CONCLUSION

The immediate challenge and major hurdle to cross was the timeous preparation of financial statements for 31 March 2007 and comparative financial information for 31 March 2006 to comply with GAAP and National Treasury prescripts ready for audit by the Auditor-General.

Going forward, the management of the Guardian's Fund with the assistance of the Office of the CFO is committed to transformation of the fund by:

- selecting and training the right personnel and importing skills to staff for the Guardian's Fund;
- the formulation and implementation adequate accounting processes and systems for the institution that is commensurate with the fund size and its growth prospects;
- the formulation and implementation of the best investment strategy in conjunction with the Public Investment Corporation (PIC) that best benefits the beneficiaries, and
- the continuous review and assessment of the range of benefits, modes of delivery and quality of service on offer to the public.

As is evident from this report, the Guardian's Fund is undergoing radical change in order to transform and reposition itself in order to improve service delivery in line with the principle of *Batho Pele*.

APPROVAL

The annual financial statements set out on pages 16 to 42 have been approved by the Accounting Officer.

A handwritten signature in black ink, appearing to read 'Adv Menzi Simelane', is displayed on a light grey rectangular background.

Adv Menzi Simelane
Accounting Officer

Part 2

Report of the Audit Committee



Guardian's Fund

Report of the Audit Committee

The Audit Committee is pleased to present its report for the financial year ended 31 March 2007.

INTRODUCTION

The administration and accountability for the Guardian's Fund falls within the responsibilities of the Department of Justice and Constitutional Development. Accordingly, as the duly constituted Audit Committee of the Department of Justice and Constitutional Development, the Audit Committee has reviewed, to the extent considered necessary, the financial statements of the Guardian's Fund.

THE EFFECTIVENESS OF INTERNAL CONTROLS

Due to the breakdown in internal controls, members of internal audit participated in the task team instituting and rectifying control systems and carrying out certain investigations arising therefrom. However, no internal audit work, as such, was carried out during the year.

EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General's management letter and management's response thereto; and
- reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



Chairperson of the Audit Committee

16 November 2007

Part 3

Report of the Auditor-General



Report of the Auditor-General to Parliament

Introduction

1. I have audited the accompanying financial statements of the Guardian's Fund, which comprise the Statement of Financial Position as at 31 March 2007, Statement of Financial Performance, Statement of Changes in Net Assets and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes and the Accounting Officer's report, as set out on pages 16 to 42.

Responsibility of the Accounting Officer for the financial statements

2. The Accounting Officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) and in the manner required by the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA), Auditor-General Audit Circular 1 of 2005 and the Administration of Estates Act (Act 66 of 1965). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
 - selecting and applying appropriate accounting policies; and
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with Section 4 of the Public Audit Act, 2004 (Act 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with General Notice 647 of 2007, issued in Government Gazette No. 29919 of 25 May 2007. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used;
 - reasonableness of accounting estimates made by management; and
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

8. The Guardian's Fund policy is to prepare financial statements on the historical cost basis, except for available-for-sale investments that have been measured at fair value as set out in the Accounting Policy 2 to the financial statements.

Basis for qualified opinion

9. Beneficiary liabilities
The beneficiary financial records were maintained on manual systems that have been found to be inefficient. During the year under review, management of the Guardian's Fund initiated projects to develop and implement new manual and electronic financial management systems to address such shortcomings. This has resulted in transactions in the current and previous year being appropriately accounted for and that the opening balance was verified against available documents.

There is, however, doubt over the completeness of the opening balance amounting to R3.4 billion as disclosed in Note 9 to the annual financial statements, due to the inefficient manual system maintained in the past. I am therefore unable to confirm the completeness of the opening balance.

Qualified opinion

10. In my opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Guardian's Fund as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with GAAP and in the manner required by the PFMA and the Administration of Estates Act (Act 66 of 1965).

EMPHASIS OF MATTER

Without further qualifying my opinion, I draw attention to the following matter affecting the annual financial statements:

11. Beneficiary liability not allocated to individual accounts

Liabilities amounting to R48 million (previous year: R33 million) as disclosed in Note 18 to the financial statements were appropriately accounted for, but have not been allocated to individual beneficiary accounts at the time of conducting the audit.

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

12. Non-compliance with applicable legislation

- The Public Finance Management Act

Section 55(1)(c) requires that the annual financial statements must be submitted to the Auditor-General within two months after the end of the financial year. The financial statements were submitted on 12 September 2007.

- The Income Tax Act, 1962:

The Guardian's Fund has not complied with Section 7(1) and 69(1), which requires any individual to whom interest has accrued to be issued with an IT3(b) from the entity from which such income was earned.

13. Matters of governance

The Guardian's Fund continues to employ a significant number of temporary staff due to the shortage in appropriately skilled staff.

14. Internal controls

Section 38(1)(a)(i) and 51(1)(a)(i) of the PFMA states that the Accounting Officer must ensure that the Guardian's Fund has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
Basis for qualification opinion					
Beneficiary liabilities (par.10)	X				X
Emphasis of matter					
Beneficiary liability not allocated to individual accounts (par.11)	X				X

Report of the Auditor-General to Parliament

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
Other matters					
Non-compliance with applicable laws and regulations (par. 12)	X				X
Matters of governance (par. 13)	X				

Control environment

The Guardian's Fund did not establish the key elements of a control environment to achieve sound financial management, as is evident by the following:

- Lack of controls to monitor the movement of critical documents such as 'green cards', housing beneficiary financial transaction history and files containing information on securities issued on behalf of beneficiaries.
- Inadequate segregation of incompatible duties identified with respect to the receiving and recording of funds.
- The list of unclaimed beneficiaries, as published annually in the Government Gazette in terms of the Administration of Estates Act (Act 66 of 1965) Section 91 was found to be incomplete.
- Lack of controls over cheques received for banking as no register was kept for cheques received at certain regional offices.
- Lack of reporting functionalities in the Guardian's Fund System (GFS) to facilitate efficient and effective management decisions as the system does not include management reports such as trial balances and beneficiary ageing reports. The activity logs, audit trails and exception reports were not utilised by management.
- Lack of safeguarding controls of Information Technology (IT) equipment and infrastructure at certain regional offices.

Monitoring controls

The monitoring controls were not effective as is evident by the following:

- The cash books, sub-ledgers and general ledgers were not updated and reconciled timeously.
- Bank reconciliations, as well as reconciliations of investments held with the Public Investment Corporation (PIC), were not performed timeously.
- The recording of information on critical documents was, in certain cases, done in pencil.
- Super-users of the GFS had unrestricted access to the application system and there was no evidence that their access was adequately monitored to ensure no abuse of the application system.

APPRECIATION

15. The assistance rendered by the Department of Justice and Constitutional Development during the audit is sincerely appreciated.

Auditor - General

Pretoria
29 November 2007



AUDITOR - GENERAL

Part 4

Annual Financial Statements



4.1 Statement of Financial Performance for the year ended 31 March 2007

2007	Notes	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
		R	R	R	R	R	R	R	R
Revenue									
Investment revenue	3	288,082,164	130,975,226	75,596,389	28,947,242	22,005,753	24,099,629	5,614,672	843,253
Less: expenditure									
Management fees	14	994,949	431,886	270,766	103,474	80,702	85,279	20,154	2,688
		287,087,215	130,543,340	75,325,623	28,843,768	21,925,051	24,014,350	5,594,518	840,565
Other operating income	4	-	-	-	-	-	-	-	-
Surplus/(deficit) for the year before distribution to beneficiaries		287,087,215	130,543,340	75,325,623	28,843,768	21,925,051	24,014,350	5,594,518	840,565
Distribution to beneficiaries – Interest paid on beneficiary monies	5	217,459,579	85,022,305	66,544,102	25,166,768	15,746,484	20,280,722	4,699,198	-
Surplus/(deficit) for the year before distribution to SARS		69,627,636	45,521,035	8,781,521	3,677,000	6,178,567	3,733,628	895,320	840,565

2006		Restated							
		Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
		R	R	R	R	R	R	R	R
Revenue									
Investment revenue	3	228,522,173	97,802,605	63,907,024	23,336,407	19,076,851	19,301,494	4,365,883	731,909
Less: expenditure									
Management fees	14	375,611	159,484	106,052	37,444	31,847	31,900	7,648	1,236
		228,146,562	97,643,121	63,800,972	23,298,963	19,045,004	19,269,594	4,358,235	730,673
Other operating expenses	4	1,787,700	1,787,700	-	-	-	-	-	-
Surplus/(deficit) for the year before distribution to beneficiaries		226,358,862	95,855,421	63,800,972	23,298,963	19,045,004	19,269,594	4,358,235	730,673
Distribution to beneficiaries – Interest paid on beneficiary monies	5	191,805,750	74,816,911	59,151,159	21,729,318	14,446,027	17,621,517	4,040,818	-
Surplus/(deficit) for the year before distribution to SARS		34,553,112	21,038,510	4,649,813	1,569,645	4,598,977	1,648,077	317,417	730,673

4.2 Statement of Financial Position as at 31 March 2007

Guardian's Fund

2007

Notes	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
	R	R	R	R	R	R	R	R
ASSETS								
Current assets	4,175,055,859	1,783,323,798	1,139,636,427	466,820,032	327,039,589	361,646,519	85,679,435	10,910,059
Financial investments available-for-sale	6 4,009,348,936	1,729,191,657	1,093,361,125	423,458,246	320,198,922	349,783,499	83,258,923	10,096,564
Cash and cash equivalents	7 69,930,238	33,555,105	4,620,163	9,817,276	6,840,667	11,863,020	2,420,512	813,495
Other receivables	8 95,776,685	20,577,036	41,655,139	33,544,510	-	-	-	-
Total assets	4,175,055,859	1,783,323,798	1,139,636,427	466,820,032	327,039,589	361,646,519	85,679,435	10,910,059
LIABILITIES								
Total liabilities	4,163,247,150	1,782,647,225	1,139,151,601	466,668,077	326,906,592	361,350,664	85,682,426	840,565
Beneficiary liability	9 4,043,215,598	1,690,668,567	1,133,009,516	465,116,984	317,862,110	351,612,554	84,945,867	-
Other payables	10 120,031,552	91,978,658	6,142,085	1,551,093	9,044,482	9,738,110	736,559	840,565
CAPITAL AND RESERVES								
Total net assets	11,808,709	676,573	484,826	151,955	132,997	295,855	-2,991	10,069,494
Accumulated surplus/(deficit)	13 -	-	-	-	-	-	-	-
Available-for-sale reserve	11 1,739,215	676,573	484,826	151,955	132,997	295,855	-2,991	-
Monies in trust reserve	12 10,069,494	-	-	-	-	-	-	10,069,494
Total net assets and liabilities	4,175,055,859	1,783,323,798	1,139,636,427	466,820,032	327,039,589	361,646,519	85,679,435	10,910,059

4.3 Statement of Financial Position for the year ended 31 March 2006

2006

Notes	Restated							
	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
	R	R	R	R	R	R	R	R
ASSETS								
Current assets	3,467,665,522	1,451,361,231	981,789,582	376,966,807	282,928,017	295,345,894	68,473,824	10,800,167
Financial investments available-for-sale	6 3,324,673,938	1,417,485,048	940,025,834	337,665,658	271,409,372	282,047,087	66,042,522	9,998,417
Cash and cash equivalents	7 49,454,113	14,609,296	108,609	6,685,704	11,518,645	13,298,807	2,431,302	801,750
Other receivables	8 93,537,471	19,266,887	41,655,139	32,615,445	-	-	-	-
Total assets	3,467,665,522	1,451,361,231	981,789,582	376,966,807	282,928,017	295,345,894	68,473,824	10,800,167
LIABILITIES								
Total liabilities	3,458,980,974	1,451,955,081	982,183,129	377,140,005	283,062,620	295,421,712	68,487,754	730,673
Beneficiary liability	9 3,398,489,479	1,403,297,533	982,198,664	377,851,439	279,103,371	287,768,503	68,269,969	-
Other payables	10 60,491,495	48,657,548	-15,535	-711,434	3,959,249	7,653,209	217,785	730,673
CAPITAL AND RESERVES								
Total net assets	8,684,548	-593,850	-393,547	-173,198	-134,603	-75,818	-13,930	10,069,494
Accumulated surplus/(deficit)	13 -	-	-	-	-	-	-	-
Available-for-sale reserve	11 -1,384,946	-593,850	-393,547	-173,198	-134,603	-75,818	-13,930	-
Monies in trust reserve	12 10,069,494	-	-	-	-	-	-	10,069,494
Total net assets and liabilities	3,467,665,522	1,451,361,231	981,789,582	376,966,807	282,928,017	295,345,894	68,473,824	10,800,167

4.4 Statement of Changes in Net Assets as at 31 March 2007

Guardian's Fund

	Entity			
	Accumulated surplus/(deficit)	MIT reserve	Available for-sale reserve	Total equity
2007	I3	I2	II	
	R	R	R	R
Balance as at 1 April 2006	-	10,069,494	-1,384,946	8,684,548
Surplus/(deficit) for the year before SARS distribution	69,627,636	-	-	69,627,636
SARS distribution	-69,627,636	-	-	-69,627,636
Transfers to/(from) reserves	-	-	1,384,946	1,384,946
Unrealised profit/(losses)	-	-	1,739,215	1,739,215
Balance as at 31 March 2007	-	10,069,494	1,739,215	11,808,709

4.4 Statement of Changes in Net Assets as at 31 March 2006

	Entity			
	Accumulated surplus/ (deficit)	MIT reserve	Available for-sale reserve	Total equity
2006	I3	I2	II	
	R	R	R	R
Balance as at 1 April 2005	-	10,069,494	-	10,069,494
Surplus/(deficit) for the year before SARS distribution	34,553,112	-	-	34,553,112
SARS distribution	-34,553,112	-	-	-34,553,112
Transfers to/(from) reserves	-	-	-	-
Unrealised profit/(losses)	-	-	-1,384,946	-1,384,946
Balance as at 31 March 2006	-	10,069,494	-1,384,946	8,684,548

4.5 Cash Flow Statement as at 31 March 2007

Guardian's Fund

2007

CASH FLOWS FROM OPERATING ACTIVITIES

	Notes	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
		R	R	R	R	R	R	R	R
Cash receipts on behalf of beneficiaries		-288,082,164	-130,975,226	-75,596,389	-28,947,242	-22,005,753	-24,099,629	-5,614,672	-843,253
Cash paid to beneficiaries and creditors		228,703,386	87,819,309	69,412,807	26,614,035	17,149,585	21,930,332	5,088,254	689,064
Cash generated from/(utilised in) operations	16	-59,378,778	-43,155,917	-6,183,582	-2,333,207	-4,856,168	-2,169,297	-526,418	-154,189
Investment income received		288,082,164	130,975,226	75,596,389	28,947,242	22,005,753	24,099,629	5,614,672	843,253
Interest paid to beneficiaries		-217,459,579	-85,022,305	-66,544,102	-25,166,768	-15,746,484	-20,280,722	-4,699,198	-
SARS payments		-11,232,062	-2,797,004	-2,868,705	-1,447,267	-1,403,101	-1,649,610	-389,056	-677,319
Net cash inflows/(outflows) from operating activities		11,745	-	-	-	-	-	-	11,745

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash flows from investing activities		-408,000,000	-184,000,000	-80,000,000	-59,000,000	-28,000,000	-45,000,000	-12,000,000	-
Net investments of beneficiary monies in PIC		-408,000,000	-184,000,000	-80,000,000	-59,000,000	-28,000,000	-45,000,000	-12,000,000	-

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash flow financing activities		428,464,381	202,945,809	84,511,554	62,131,572	23,322,023	43,564,213	11,989,210	-
Increase/(decrease) in beneficiary liability		428,464,381	202,945,809	84,511,554	62,131,572	23,322,023	43,564,213	11,989,210	-
Net increase/(decrease) in cash and cash equivalents		20,476,126	18,945,809	4,511,554	3,131,572	-4,677,977	-1,435,787	-10,790	11,745
Cash and cash equivalents at the beginning of the year		49,454,112	14,609,296	108,609	6,685,704	11,518,644	13,298,807	2,431,302	801,750
Cash and cash equivalents at the end of the year	7	69,930,238	33,555,105	4,620,163	9,817,276	6,840,667	11,863,020	2,420,512	813,495

4.6 Cash Flow Statement as at 31 March 2006

2006

Notes	Restated							Other		
	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley			
	R	R	R	R	R	R	R			
CASH FLOWS FROM OPERATING ACTIVITIES										
	Cash receipts on behalf of beneficiaries	-228,522,173	-97,802,605	-63,907,024	-23,336,407	-19,076,851	-19,301,494	-4,365,883	-731,909	
	Cash paid to beneficiaries and creditors	212,062,671	78,902,470	64,554,496	24,093,082	21,408,157	18,223,925	4,110,858	769,683	
	Cash generated from/(utilised in) operations	16	-16,459,502	-18,900,135	647,472	756,675	2,331,306	-1,077,569	-255,025	37,774
	Investment income received	228,522,173	97,802,605	63,907,024	23,336,407	19,076,851	19,301,494	4,365,883	731,909	
	Interest paid to beneficiaries	-191,805,750	-74,816,911	-59,151,159	-21,729,318	-14,446,027	-17,621,517	-4,040,818	-	
	SARS payments	-20,263,015	-4,085,559	-5,403,337	-2,363,764	-6,962,130	-602,408	-70,040	-775,777	
	Net cash inflows/(outflows) from operating activities	-6,094	-	-	-	-	-	-	-6,094	
CASH FLOWS FROM INVESTING ACTIVITIES										
	Net cash flows from investing activities	-212,950,000	-95,000,000	-65,000,000	-25,000,000	-12,000,000	-13,000,000	-2,950,000	-	
	Net investments of beneficiary monies in PIC	-212,950,000	-95,000,000	-65,000,000	-25,000,000	-12,000,000	-13,000,000	-2,950,000	-	
CASH FLOWS FROM FINANCING ACTIVITIES										
	Net cash flow financing activities	221,907,587	99,206,921	51,493,956	30,583,669	16,536,664	19,512,981	4,573,396	-	
	Increase/(decrease) in beneficiary liability	221,907,587	99,206,921	51,493,956	30,583,669	16,536,664	19,512,981	4,573,396	-	
	Net increase/(decrease) in cash and cash equivalents	8,951,493	4,206,921	-13,506,044	5,583,669	4,536,664	6,512,981	1,623,396	-6,094	
	Cash and cash equivalents at the beginning of the year	40,502,620	10,402,375	13,614,653	1,102,035	6,981,981	6,785,826	807,906	807,844	
	Cash and cash equivalents at the end of the year	7	49,454,113	14,609,296	108,609	6,685,704	11,518,645	13,298,807	2,431,302	801,750

1. General information

The Guardian's Fund is a statutory trust established in terms of Chapter V of the Administration of Estates Act, 1965 (Act 66 of 1965).

The purpose of the Guardian's Fund is to protect and manage monies of persons deemed to be legally incapable or lacking the capacity to manage their own affairs, as well as undetermined, unknown or absent heirs and untraceable persons.

The Guardian's Fund is held under management of the Master of the High Court of South Africa.

The consolidated financial statements were authorised for issue by the Director-General on 15 June 2007.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for available-for-sale investments that have been measured at fair value. The financial statements are presented in rands.

Statement of compliance

The financial statements of the Guardian's Fund have been prepared in accordance with South Africa statements of GAAP as required by the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA).

2.2 Summary of significant accounting policies

2.2.1 Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets in the time frame generally established by regulations or convention in the marketplace are recognised on the trade date, ie the date that the Guardian's Fund commits to purchase or sell the asset.

(ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets not at fair value through profit or loss, any directly attributable incremental cost of acquisition or issue.

(iii) Available-for-sale financial investments

Available-for-sale financial investments are those that are designated as such or do not qualify to be classified at fair value through profit or loss, held-to-maturity or loans and advances. They include equity instruments, investments in money markets and other debit instruments.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity in the "Available-for-sale reserve". When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in "other operating income" or "other operating expenses". Interest earned while holding available-for-sale financial investments is reported as interest income using the effective interest rate. Dividends earned while "holding available-for-sale financial investments" are recognised in the income statement as "other operating income" when the right of payment has been established. The losses arising from impairment of such investments are recognised in the income statement in "impairment losses on financial investments" and removed from the available-for-sale reserve.

2.2.2 Cash and cash equivalents

Cash and cash equivalents include cash held at banks.

2.2.3 Revenue recognition

The Guardian's Fund recognises revenue when the amount of revenue can be reliably measured. It is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Guardian's Fund activities as described below.

(i) Interest income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

4.8 Notes to the Financial Statements for the year ended 31 March 2007

2007

	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
	R	R	R	R	R	R	R	R
3. Investment revenue								
Interest revenue – PIC	278,624,125	127,768,085	74,014,834	26,893,047	21,081,601	22,619,206	5,404,099	843,253
Discounts received – PIC	-	-	-	-	-	-	-	-
- Available-for-sale investments								
Interest revenue – Mmabatho	1,275,017	1,275,017	-	-	-	-	-	-
Interest revenue – Thohoyandou	35,132	35,132	-	-	-	-	-	-
Interest revenue – Bisho	352,746	-	-	352,746	-	-	-	-
Interest revenue – Umtata	576,320	-	-	576,320	-	-	-	-
Interest revenue – ABSA	7,218,824	1,896,992	1,581,555	1,125,129	924,152	1,480,423	210,573	-
	288,082,164	130,975,226	75,596,389	28,947,242	22,005,753	24,099,629	5,614,672	843,253
4. Other operating income/(expenses)								
Recycling of gain/(loss) from equity on disposal of investments classified as available-for-sale	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
5. Interest paid								
Interest paid to interest-bearing beneficiaries	217,459,579	85,022,305	66,544,102	25,166,768	15,746,484	20,280,722	4,699,198	-
Interest is calculated on a monthly basis at a rate per year determined from time to time by the Minister of Finance. The interest is compounded annually at 31 March. Interest is paid for a period from a month after receipt up to five years after it has become claimable unless it is legally claimed before such expiration.								
	217,459,579	85,022,305	66,544,102	25,166,768	15,746,484	20,280,722	4,699,198	-

2007

6. Financial investments available-for-sale

PIC Investment

Opening balance as originally stated

	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
	R	R	R	R	R	R	R	R
Opening balance as originally stated	3,324,673,938	1,417,485,048	940,025,834	337,665,658	271,409,372	282,047,087	66,042,522	9,998,417
Cost	3,326,058,885	1,418,078,899	940,419,381	337,838,856	271,543,975	282,122,905	66,056,452	9,998,417
Unrealised profit/(losses)	-1,384,947	-593,851	-393,547	-173,198	-134,603	-75,818	-13,930	-
Investment income received during financial year	278,558,856	127,768,085	74,014,834	26,893,047	21,081,601	22,619,206	5,404,099	777,984
Additions during the year	408,000,000	184,000,000	80,000,000	59,000,000	28,000,000	45,000,000	12,000,000	-
Disposals during the year	-	-	-	-	-	-	-	-
Unrealised profit/ (losses)	3,124,159	1,270,422	878,373	325,153	267,600	371,672	10,939	-
SARS distribution (net surplus investment income)	-4,013,238	-900,012	-1,287,150	-322,138	-478,949	-169,187	-178,483	-677,319
Realised loss on capital market HFT Public Corporation Bonds	-	-	-	-	-	-	-	-
Management expenses	-994,779	-431,886	-270,766	-103,474	-80,702	-85,279	-20,154	-2,518
Closing balance	4,009,348,936	1,729,191,657	1,093,361,125	423,458,246	320,198,922	349,783,499	83,258,923	10,096,564
Fair value at acquisition date	4,007,609,724	1,728,515,085	1,092,876,299	423,306,291	320,065,925	349,487,645	83,261,915	10,096,564
Unrealised profit/(losses)	1,739,212	676,572	484,826	151,955	132,997	295,854	-2,992	-

For financial assets that are liquid or have a short-term maturity (less than six months) it is assumed that the carrying amounts approximate their fair value.

Financial investments available-for-sale

Current financial investments available-for-sale

Financial investments available-for-sale	4,009,348,936	1,729,191,657	1,093,361,125	423,458,246	320,198,922	349,783,499	83,258,923	10,096,564
Current financial investments available-for-sale	4,009,348,936	1,729,191,657	1,093,361,125	423,458,246	320,198,922	349,783,499	83,258,923	10,096,564

Notes to the Financial Statements for the year ended 31 March 2007

2007

7. Cash and cash equivalents

PMG

ABSA bank account

PIC main account

Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
R	R	R	R	R	R	R	R
-	-	-	-	-	-	-	-
69,116,743	33,555,105	4,620,163	9,817,276	6,840,667	11,863,020	2,420,512	-
813,495	-	-	-	-	-	-	813,495
69,930,238	33,555,105	4,620,163	9,817,276	6,840,667	11,863,020	2,420,512	813,495

For the purposes of the cash flow statement:

Cash and cash equivalents

Bank overdraft

Cash and cash equivalents at 1 April

69,930,238	33,555,105	4,620,163	9,817,276	6,840,667	11,863,020	2,420,512	813,495
-	-	-	-	-	-	-	-
69,930,238	33,555,105	4,620,163	9,817,276	6,840,667	11,863,020	2,420,512	813,495

2007

	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
	R	R	R	R	R	R	R	R
8. Other receivables								
TBVC shortfall								
- Mmabatho	20,025,263	20,025,263	-	-	-	-	-	-
- Thohoyandou	551,773	551,773	-	-	-	-	-	-
- Bisho	5,540,179	-	-	5,540,179	-	-	-	-
- Umtata	9,051,620	-	-	9,051,620	-	-	-	-
A process is currently underway to determine the amount that will be offset against the TBVC losses possibly by National Treasury and how much will have to be absorbed by DoJ&CD own vote account to ensure that the Guardian's Fund beneficiaries are not prejudiced.								
Unreconciled variance -								
Before 1 April 2005	59,812,171	-	41,655,139	18,157,032	-	-	-	-
These amounts relate to the difference between the money on investment and amount attributable to beneficiaries as at 1 April 2005.								
A special reconciliation effort to examine manual records dating back three to four years is in progress and corrective entries will be effected.								
Disallowance account (refer to Note 17)	795,679	-	-	795,679	-	-	-	-
	95,776,685	20,577,036	41,655,139	33,544,510	-	-	-	-

Notes to the Financial Statements for the year ended 31 March 2007

2007

	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
	R	R	R	R	R	R	R	R
9. Beneficiary liability								
Due to beneficiaries								
Opening balance as at 1 April	3,398,489,479	1,403,297,533	982,198,664	377,851,439	279,103,371	287,768,503	68,269,969	-
Monies received during financial year	848,785,680	362,133,482	206,011,010	116,054,570	61,236,901	79,486,823	23,862,894	-
Payments to beneficiaries	-420,321,299	-159,187,673	-121,499,456	-53,922,998	-37,914,878	-35,922,610	-11,873,684	-
Transfer to SARS 30 years	-1,052,142	-470,808	-239,405	-32,795	-297,026	-	-12,108	-
5% commission payable to SARS	-145,699	-126,272	-5,399	-	-12,742	-884	-402	-
Interest paid to beneficiaries	217,459,579	85,022,305	66,544,102	25,166,768	15,746,484	20,280,722	4,699,198	-
Closing balance	4,043,215,598	1,690,668,567	1,133,009,516	465,116,984	317,862,110	351,612,554	84,945,867	-
Beneficiary liability								
Interest-bearing beneficiary monies	3,714,355,352	1,467,689,177	1,122,625,623	436,473,265	258,734,809	347,437,312	81,395,166	-
Non-interest-bearing beneficiary monies (no commission)	211,823,846	105,261,040	36,128,453	20,017,052	42,943,834	4,289,237	3,184,230	-
Non-interest-bearing beneficiary monies (commission)	150,439,787	116,409,311	7,847,367	7,253,347	17,326,213	905,480	698,069	-
Unallocated beneficiary monies (suspense account)	5,018,574	5,014,590	-	-	3,984	-	-	-
Cancelled cheques not written back	10,291,924	-	10,291,924	-	-	-	-	-
Unidentified beneficiary monies (refer to Note 18)	-48,713,885	-3,705,551	-43,883,851	1,373,320	-1,146,730	-1,019,475	-331,598	-
	4,043,215,598	1,690,668,567	1,133,009,516	465,116,984	317,862,110	351,612,554	84,945,867	-
Beneficiary liability represented by:								
ABSA	69,116,743	33,555,105	4,620,163	9,817,276	6,840,667	11,863,020	2,420,512	-
PIC investment	3,974,098,855	1,657,113,462	1,128,389,353	455,299,708	311,021,443	339,749,534	82,525,355	-
	4,043,215,598	1,690,668,567	1,133,009,516	465,116,984	317,862,110	351,612,554	84,945,867	-

2007

10. Trade and other payables

	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
	R	R	R	R	R	R	R	R
SARS payable	120,031,552	91,978,658	6,142,085	1,551,093	9,044,482	9,738,110	736,559	840,565
SARS payable previous financial years	36,207,000	23,534,464	-	-	6,110,013	6,596,832	-34,309	-
Surplus investment income	73,408,091	59,676,980	5,159,292	1,435,614	2,412,313	3,129,686	753,641	840,565
5% commission	802,440	510,991	10,611	94,110	170,031	11,592	5,105	-
30 year – beneficiary monies	9,614,021	8,256,223	972,182	21,369	352,125	-	12,122	-

11. Available-for-sale reserve

Opening balance as at 1 April	-1,384,946	-593,850	-393,547	-173,198	-134,603	-75,818	-13,930	-
Unrealised profit/(losses)	1,739,215	676,573	484,826	151,955	132,997	295,855	-2,991	-
Transfers to/(from) reserves	1,384,946	593,850	393,547	173,198	134,603	75,818	13,930	-
Balance at the end of the year	1,739,215	676,573	484,826	151,955	132,997	295,855	-2,991	-

12. Monies in Trust reserve

Opening balance as at 1 April	10,069,494	-	-	-	-	-	-	10,069,494
Balance at the end of the year	10,069,494	-	-	-	-	-	-	10,069,494

Notes to the Financial Statements for the year ended 31 March 2007

2007

	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
	R	R	R	R	R	R	R	R
13. Accumulated surplus/(deficit)								
Opening balance as at 1 April	-	-	-	-	-	-	-	-
Surplus/(deficit) for the year	69,627,636	45,521,035	8,781,521	3,677,000	6,178,567	3,733,628	895,320	840,565
SARS distribution - Surplus investment income	-69,627,636	-45,521,035	-8,781,521	-3,677,000	-6,178,567	-3,733,628	-895,320	-840,565
Balance at the end of the year	-	-	-	-	-	-	-	-
14. Management fees								
Management fees – PIC Investment	994,949	431,886	270,766	103,474	80,702	85,279	20,154	2,688
	994,949	431,886	270,766	103,474	80,702	85,279	20,154	2,688

15. Related party transactions

All administration costs for the Guardian's Fund are paid for by the Department of Justice and Constitutional Development.

2007

16. Cash generated from/(utilised in) operations

	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
	R	R	R	R	R	R	R	R
Surplus/(deficit) before interest and SARS	11,745	-	-	-	-	-	-	11,745
SARS paid	11,232,062	2,797,004	2,868,705	1,447,267	1,403,101	1,649,610	389,056	677,319
(Investment income received)	-288,082,164	-130,975,226	-75,596,389	-28,947,242	-22,005,753	-24,099,629	-5,614,672	-843,253
Interest paid	217,459,579	85,022,305	66,544,102	25,166,768	15,746,484	20,280,722	4,699,198	-
Net cash flows from operating activities	-59,378,778	-43,155,917	-6,183,582	-2,333,207	-4,856,168	-2,169,297	-526,418	-154,189

17. Disallowance account (fraud and losses)

Total fraud cases identified	9,973,594	5,344,663	3,585,643	795,679	-	247,609	-	-
Finalised cases – investigation finalised	-4,317,456	-4,069,847	-	-	-	-247,609	-	-
Cases still under investigation	5,656,138	1,274,816	3,585,643	795,679	-	-	-	-

Post-balance sheet

An amount of R9,855,742-91 was misappropriated by ABSA Bank employees from various Guardian's Fund bank accounts. The funds plus interest losses were subsequently recovered from ABSA.

Notes to the Financial Statements for the year ended 31 March 2007

2007

18. Unidentified beneficiaries

The Department of Justice and Constitutional Development is busy with a computerisation project for Guardian's Fund operations to move away from the cumbersome and complex manual systems of previous years. The analysis and data migration phase of this project was not yet finalised at financial year end due to time constraints and unavailability of staff during the public service strikes.

Data capture and analysis of individual claimant details from the manual records into the computerised system had not yet been finalised with respect to a beneficiary class recorded in aggregate totalling R48 million as at year end.

The Department of Justice and Constitutional Development is, however, committed to finalising the analyses of these amounts before the next financial year to ensure that all transactions for the financial year ended 31 March 2008 are recorded in the financial records of the Guardian's Fund as per the prescripts.

Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
R	R	R	R	R	R	R	R
-48,713,885	-3,705,551	-43,883,851	1,373,320	-1,146,730	-1,019,475	-331,598	-

2006

3. Investment revenue

	Restated							
	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
	R	R	R	R	R	R	R	R
Interest revenue – PIC	216,289,664	92,957,503	60,827,188	21,939,194	17,523,154	18,014,833	4,295,883	731,909
Discounts received – PIC	5,976,973	2,261,307	1,912,940	-	1,118,473	684,253	-	-
- Available-for-sale investments								
Interest revenue – Mmabatho	1,226,652	1,226,652	-	-	-	-	-	-
Interest revenue – Thohoyandou	33,799	33,799	-	-	-	-	-	-
Interest revenue – Bisho	339,365	-	-	339,365	-	-	-	-
Interest revenue – Umtata	554,459	-	-	554,459	-	-	-	-
Interest revenue – ABSA	4,101,261	1,323,344	1,166,896	503,389	435,224	602,408	70,000	-
	228,522,173	97,802,605	63,907,024	23,336,407	19,076,851	19,301,494	4,365,883	731,909

4. Other operating income/(expenses)

Realised loss on Capital Market HFT Public Corporation Bonds	1,787,700	1,787,700	-	-	-	-	-	-
	1,787,700	1,787,700	-	-	-	-	-	-

5. Interest paid

Interest paid to interest-bearing beneficiaries	191,805,750	74,816,911	59,151,159	21,729,318	14,446,027	17,621,517	4,040,818	-
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Interest is calculated on a monthly basis at a rate per year determined from time to time by the Minister of Finance. The interest is compounded annually at 31 March. Interest is paid for a period from a month after receipt up to five years after it has become claimable, unless it is legally claimed before such expiration.

	191,805,750	74,816,911	59,151,159	21,729,318	14,446,027	17,621,517	4,040,818	-
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Notes to the Financial Statements for the year ended 31 March 2006

2006

6. Financial investments available-for-sale

PIC Investment

Opening balance as originally stated

	Restated							
	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
	R	R	R	R	R	R	R	R
Opening balance as originally stated	2,909,220,667	1,232,569,488	817,021,746	292,797,481	247,461,101	250,455,719	58,818,257	10,096,875
Cost	2,909,220,667	1,232,569,488	817,021,746	292,797,481	247,461,101	250,455,719	58,818,257	10,096,875
Unrealised profit/(losses)	-	-	-	-	-	-	-	-
Investment income received during financial year	222,213,185	95,218,810	62,740,128	21,939,194	18,641,627	18,699,086	4,295,883	678,457
Additions during the year	214,950,000	95,000,000	65,000,000	25,000,000	12,000,000	13,000,000	4,950,000	-
Disposals during the year	-2,000,000	-	-	-	-	-	-2,000,000	-
Unrealised profit/(losses)	-1,384,947	-593,851	-393,547	-173,198	-134,603	-75,818	-13,930	-
SARS distribution (net surplus investment income)	-16,161,754	-2,762,215	-4,236,441	-1,860,375	-6,526,906	-	-40	-775,777
Realised loss on capital market HFT Public Corporation Bonds	-1,787,700	-1,787,700	-	-	-	-	-	-
Management expenses	-375,513	-159,484	-106,052	-37,444	-31,847	-31,900	-7,648	-1,138
Closing balance	3,324,673,938	1,417,485,048	940,025,834	337,665,658	271,409,372	282,047,087	66,042,522	9,998,417
Fair value at acquisition date	3,326,058,885	1,418,078,899	940,419,381	337,838,856	271,543,975	282,122,905	66,056,452	9,998,417
Unrealised profit/(losses)	-1,384,947	-593,851	-393,547	-173,198	-134,603	-75,818	-13,930	-

For financial assets that are liquid or have a short-term maturity (less than six months) it is assumed that the carrying amounts approximate their fair value. A provision against available-for-sale reserve was, however, made for unrealised profit/(losses) as per PIC estimates.

Financial investments available-for-sale

Current financial investments available-for-sale

Financial investments available-for-sale	3,324,673,938	1,417,485,048	940,025,834	337,665,658	271,409,372	282,047,087	66,042,522	9,998,417
Current financial investments available-for-sale	3,324,673,938	1,417,485,048	940,025,834	337,665,658	271,409,372	282,047,087	66,042,522	9,998,417

2006

7. Cash and cash equivalents

PMG

ABSA bank account

PIC main account

	Restated							
	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
	R	R	R	R	R	R	R	R
PMG	1	-	-	-	1	-	-	-
ABSA bank account	48,652,362	14,609,296	108,609	6,685,704	11,518,644	13,298,807	2,431,302	-
PIC main account	801,750	-	-	-	-	-	-	801,750
	49,454,113	14,609,296	108,609	6,685,704	11,518,645	13,298,807	2,431,302	801,750
For the purposes of the cash flow statement:								
Cash and cash equivalents	49,454,113	14,609,296	108,609	6,685,704	11,518,645	13,298,807	2,431,302	801,750
Cash and cash equivalents at 1 April	49,454,113	14,609,296	108,609	6,685,704	11,518,645	13,298,807	2,431,302	801,750

Notes to the Financial Statements for the year ended 31 March 2006

2006

	Restated							
	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
	R	R	R	R	R	R	R	R
8. Other receivables								
TBVC shortfall								
- Mmabatho	18,750,246	18,750,246	-	-	-	-	-	-
- Thohoyandou	516,641	516,641	-	-	-	-	-	-
- Bisho	5,187,434	-	-	5,187,434	-	-	-	-
- Umtata	8,475,300	-	-	8,475,300	-	-	-	-
Unreconciled variance – Before 1 April 2005	59,812,171	-	41,655,139	18,157,032	-	-	-	-
Disallowance account (refer to note 17)	795,679	-	-	795,679	-	-	-	-
	93,537,471	19,266,887	41,655,139	32,615,445	-	-	-	-

A process is currently underway to determine the amount that will be offset against the TBVC losses, possibly by National Treasury, and how much will have to be absorbed by DoJ&CD own vote account to ensure that the Guardian's Fund beneficiaries are not prejudiced.

This amounts relate to the difference between the money on investment and amount attributable to beneficiaries as at 1 April 2005.

A special reconciliation effort to examine manual records dating back three to four years is in progress and corrective entries will be effected.

2006

9. Beneficiary liability

Due to beneficiaries

	Restated							
	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	
	R	R	R	R	R	R	R	R
Opening balance as at 1 April	2,988,000,156	1,232,178,387	871,805,370	325,573,681	248,147,199	250,639,339	59,656,180	-
Monies received during financial year	587,548,495	237,701,832	155,996,594	69,750,633	52,544,851	53,803,188	17,751,397	-
Payments to beneficiaries	-365,640,908	-138,494,911	-104,502,638	-39,166,964	-36,008,187	-34,290,207	-13,178,001	-
Transfer to SARS 30 years	-3,140,873	-2,853,309	-248,940	-28,915	-9,709	-	-	-
5% commission payable to SARS	-83,141	-51,377	-2,881	-6,314	-16,810	-5,334	-425	-
Interest paid to beneficiaries	191,805,750	74,816,911	59,151,159	21,729,318	14,446,027	17,621,517	4,040,818	-
Closing balance	3,398,489,479	1,403,297,533	982,198,664	377,851,439	279,103,371	287,768,503	68,269,969	-

Beneficiary liability

Interest-bearing beneficiary monies	3,099,138,245	1,216,391,540	952,594,663	353,608,630	227,627,851	283,894,644	65,020,917	-
Non-interest-bearing beneficiary monies (no commission)	191,539,229	97,097,856	33,223,122	16,603,499	36,806,259	4,653,329	3,155,164	-
Non-interest-bearing beneficiary monies (commission)	133,358,262	102,906,402	7,381,054	7,245,154	14,819,694	478,317	527,641	-
Cancelled cheques not written back	7,479,740	-	7,479,740	-	-	-	-	-
Unidentified beneficiary monies (refer to Note 18)	-33,025,997	-13,098,265	-18,479,915	394,156	-150,433	-1,257,787	-433,753	-
3,398,489,479	1,403,297,533	982,198,664	377,851,439	279,103,371	287,768,503	68,269,969	-	-

Beneficiary liability represented by:

ABSA	48,652,363	14,609,296	108,609	6,685,704	11,518,645	13,298,807	2,431,302	-
PIC Investment	3,349,837,116	1,388,688,237	982,090,055	371,165,735	267,584,726	274,469,696	65,838,667	-
3,398,489,479	1,403,297,533	982,198,664	377,851,439	279,103,371	287,768,503	68,269,969	-	-

Notes to the Financial Statements for the year ended 31 March 2006

2006

10. Trade and other payables

SARS payable

SARS payable previous financial years

Surplus investment income

5% commission

30 year – beneficiary monies

Total	Restated						
	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
R	R	R	R	R	R	R	R
60,491,495	48,657,548	-15,535	-711,434	3,959,249	7,653,209	217,785	730,673
36,207,000	23,534,464	-	-	6,110,013	6,596,832	-34,309	-
15,065,874	16,952,950	-753,524	-794,119	-2,363,153	1,045,669	247,378	730,673
623,945	384,719	5,212	61,316	157,288	10,708	4,702	-
8,594,676	7,785,415	732,777	21,369	55,101	-	14	-

11. Available-for-sale reserve

Opening balance as at 1 April

Unrealised profit/(losses)

Transfers to/(from) reserves

Balance at the end of the year

-	-	-	-	-	-	-	-
-1,384,946	-593,850	-393,547	-173,198	-134,603	-75,818	-13,930	-
-	-	-	-	-	-	-	-
-1,384,946	-593,850	-393,547	-173,198	-134,603	-75,818	-13,930	-

12. Monies in Trust reserve

Opening balance as at 1 April

Balance at the end of the year

10,069,494	-	-	-	-	-	-	10,069,494
10,069,494	-	-	-	-	-	-	10,069,494

2006

13. Accumulated surplus/(deficit)

Opening balance as at 1 April
 Surplus/(deficit) for the year
 SARS distribution - Surplus investment income
Balance at the end of the year

Total	Restated						
	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
R	R	R	R	R	R	R	R
-	-	-	-	-	-	-	-
34,553,112	21,038,510	4,649,813	1,569,645	4,598,977	1,648,077	317,417	730,673
-34,553,112	-21,038,510	-4,649,813	-1,569,645	-4,598,977	-1,648,077	-317,417	-730,673
-	-	-	-	-	-	-	-

14. Management fees

Management fees – PIC Investment

Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
R	R	R	R	R	R	R	R
375,611	159,484	106,052	37,444	31,847	31,900	7,648	1,236
375,611	159,484	106,052	37,444	31,847	31,900	7,648	1,236

15. Related party transactions

All administration costs for the Guardian's Fund are paid for by the Department of Justice and Constitutional Development.

Notes to the Financial Statements for the year ended 31 March 2006

2006	Restated							
	Total	Pretoria	Pietermaritzburg	Grahamstown	Cape Town	Bloemfontein	Kimberley	Other
	R	R	R	R	R	R	R	R
16. Cash generated from/(utilised in) operations								
Surplus/(deficit) before interest and SARS	-6,094	-	-	-	-	-	-	-6,094
SARS paid	20,263,015	4,085,559	5,403,337	2,363,764	6,962,130	602,408	70,040	775,777
(Investment income received)	-228,522,173	-97,802,605	-63,907,024	-23,336,407	-19,076,851	-19,301,494	-4,365,883	-731,909
Interest paid	191,805,750	74,816,911	59,151,159	21,729,318	14,446,027	17,621,517	4,040,818	-
Net cash flows from operating activities	-16,459,502	-18,900,135	647,472	756,675	2,331,306	-1,077,569	-255,025	37,774
17. Disallowance account (fraud and losses)								
Total fraud cases identified	9,973,594	5,344,663	3,585,643	795,679	-	247,609	-	-
Finalised cases – Investigation finalised	-4,317,456	-4,069,847	-	-	-	-247,609	-	-
Cases still under investigation	5,656,138	1,274,816	3,585,643	795,679	-	-	-	-
18. Unidentified beneficiaries	-33,025,997	-13,098,265	-18,479,915	394,156	-150,433	-1,257,787	-433,753	-

The Department of Justice and Constitutional Development is busy with a computerisation project for Guardian's Fund operations to move away from the cumbersome and complex manual systems of previous years. The analysis and data migration phase of this project had not yet been finalised at financial year end due to time constraints and the unavailability of staff during the public service strikes.

Data capture and analysis of individual claimant details from the manual records into the computerised system had not yet been finalised with respect to a beneficiary class recorded in aggregate totalling R33 million as at year end.

The Department of Justice and Constitutional Development is, however, committed to finalising the analyses of these amounts before the next financial year to ensure that all transactions for the financial year ended 31 March 2008 are recorded in the financial records of the Guardian's Fund as per the prescripts.

2006

19. Restatement of comparatives

The financial statements for 31 March 2006 were based on estimated amounts. As actual financial information is now available, it was decided to restate the comparatives for 31 March 2006.

Statement of Financial Position

ASSETS

	As restated in 2007 R	As disclosed in 2006 R
Investments – Pic	-	3,316,105,403
Financial investments available-for-sale (PIC Investments)	3,324,673,938	-
Cash and cash equivalents	49,454,113	86,954,312
Other receivables	93,537,471	9,215,456
Total assets	3,467,665,522	3,412,275,171

LIABILITIES

Total liabilities	3,458,980,974	3,412,275,171
Beneficiary liability	3,398,489,479	3,412,275,171
Other payables	60,491,495	-

CAPITAL AND RESERVES

Total net assets	8,684,548	-
Available-for-sale reserve	-1,384,946	-
MIT reserve	10,069,494	-
Total net assets and liabilities	3,467,665,522	3,412,275,171

Notes to the Financial Statements for the year ended 31 March 2006

2006

19. Statement of Performance

Revenue

Investment revenue

Less: expenditure

Management fees

Payments to SARS

Interest paid to beneficiaries

Other operating income/(expenses)

Surplus/(deficit) for the year

	As restated in 2007	As disclosed in 2006
	R	R
Investment revenue	228,522,173	221,579,662
Less: expenditure	192,181,361	224,093,487
Management fees	375,611	374,335
Payments to SARS	-	15,385,936
Interest paid to beneficiaries	191,805,750	208,333,216
Other operating income/(expenses)	36,340,812	-2,513,825
Surplus/(deficit) for the year	-1,787,700	-
	34,553,112	-2,513,825



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