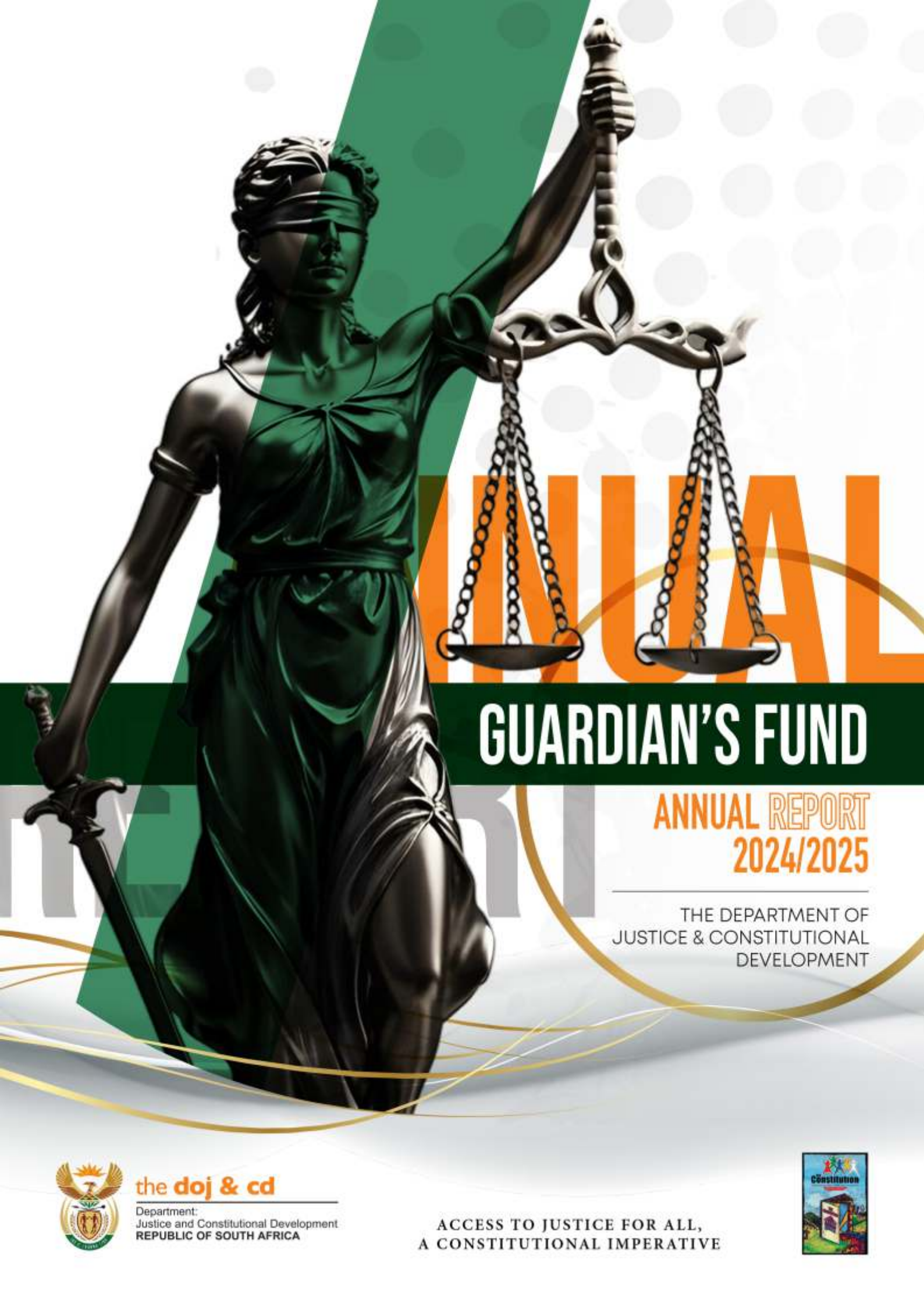

# GUARDIAN'S FUND

## ANNUAL REPORT 2024/2025

THE DEPARTMENT OF JUSTICE & CONSTITUTIONAL DEVELOPMENT

the doj & cd

Department:
Justice and Constitutional Development
REPUBLIC OF SOUTH AFRICA

ACCESS TO JUSTICE FOR ALL,
A CONSTITUTIONAL IMPERATIVE

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# REPORT OF THE ACCOUNTING OFFICER

# REPORT OF THE ACCOUNTING OFFICER ON THE ACTIVITIES OF THE GUARDIAN'S FUND

For the year ended 31 March 2025

## 1. Introduction

The Guardian's Fund (GF) is a statutory trust established in terms of Chapter V of the Administration of Estates Act, 1965 (Act 66 of 1965). The GF consists of all monies received by the Master of the High Court under the Administration of Estates Act, any other law, or pursuant to a court order. It also includes any money accepted by the Master in trust for any known or unknown person.

The purpose of the GF is to protect and manage monies for individuals legally incapable of managing their own affairs, as well as for undetermined, unknown, or absent heirs and untraceable persons.

The GF is managed by the Master of the High Courts of South Africa. When the Master receives or accepts any money, an account is opened in the name of the person to whom the money belongs or in the name of the estate of which the money forms part. The Master, upon application from any person entitled to receive money from the GF, will pay the money to the applicant.

Funds are invested with the Public Investment Corporation (PIC). In the 2024/2025 fiscal year, the GF generated an impressive R1.879 billion in investment income (compared to R1.724 billion in 2023/2024). For the year under review, the interest rate allocated to interest-earning accounts within the GF was 8.40% (compared to 8.25% in 2023/24) per annum, an increase from the previous year by 0.15%.

## 2. Core Service Delivery Environment

The GF operates in six Master's offices across South Africa: Pretoria, Cape Town, Pietermaritzburg, Makhanda, Bloemfontein, and Kimberley. Additionally, the GF maintains 302 service points nationwide, significantly enhancing customer interaction and service accessibility. These service points play a crucial role in reducing the financial and logistical burdens on vulnerable beneficiaries, who would otherwise have to travel long distances to submit their applications at the main offices.

The GF has fully implemented an approved electronic payment system across all its offices, achieving a 100% rate of EFT payment transactions for the 2024/2025 financial year. However, payments are still done centrally following a fraud incident at the Pietermaritzburg office in April 2023.

Despite the success in electronic payments, the new system development project intended to further streamline operations experienced delays. Initially scheduled to be piloted on 1 June 2022, the project is now set to be completed fully in the 2025/2026 financial year with implementation already begun in the Kimberley Master of the High Court. The delay was necessary to integrate

additional capabilities critical to ensuring robust data coherence and long-term operational resilience.

## 3. Unclaimed Monies

As per the Administration of Estates Act, any beneficiary funds that remain unclaimed for a period of 30 years from the date on which the beneficiaries became entitled to the said monies are forfeited to the National Revenue Fund.
It is important to note the following:

**a. GEPF Funds:** A significant portion of the funds in the Guardian's Fund comes from the Government Employees Pension Fund (GEPF). In these cases, the GEPF sends letters to the guardians of beneficiaries, along with the deposit receipt. The letter specifies the Guardian's Fund where the funds can be claimed, ensuring that guardians are aware of the claims they have to lodge.

**b. Estate Funds for Minors:** Similarly, in cases where minors are involved in estates, executors pay the funds over to the GF. Guardians are notified of the deposit and informed at which Master's office the funds may be claimed, following the same procedure as with GEPF funds.

**c. Advertising of Deposits** (Section 91 of the Administration of Estates Act): All unclaimed amounts exceeding R1 000 are advertised in the Government Gazette annually in September. These advertisements include the full names and ID numbers of the beneficiaries (without specifying the amounts).

- Each account is advertised three times.
- The advertisements are displayed at all Magistrate's Courts.
- Additionally, the advertisements are published on the Master's Office website.

## 4. Growth of Beneficiary Liability

The GF has continued to show positive growth in terms of rand value despite a decrease in the volume of transactions processed over the past three years. The GF's financial health remains robust, as evidenced by the detailed financials on pages 23 to 51.

The GF's performance in terms of rand value, the number of transactions processed, and the total assets versus beneficiary liabilities is further explained in the following paragraphs.

**Beneficiary Deposits and Payments**
During the 2024/2025 financial year, the fund recorded a total of R1.793 billion in beneficiary deposits, representing a 4% increase compared to the R1.716 billion received in 2023/2024. This marginal increase follows an 18% decrease in deposits between 2022/2023 and 2023/2024, where deposits had decreased from R2.089 billion to R1.716 billion.

In contrast, beneficiary payments amounted to R2.005 billion in 2024/2025, reflecting a 10% decrease from the R2.222 billion paid out in the previous year. This follows a 15% increase in payments between 2022/2023 and 2023/2024, when payments rose from R1.939 billion to R2.222 billion.

**Transaction Volumes**
In terms of transaction volumes, deposits remained relatively stable over the past three years. The fund processed 13 412 deposit transactions in 2024/2025, reflecting a marginal 3% increase from 13 082 in 2023/2024, and only a 10% decrease when compared to the 14 812 transactions in 2022/2023. On the payment side, the fund processed 33 598 payment transactions in 2024/2025, which is a 13% decline from 38 575 in 2023/2024 and a 14% reduction when compared to 39 216 in 2022/2023. The reduction in payment

transaction volumes may reflect a shift in beneficiary activity, possibly influenced by lower claim levels.

**Total Assets versus Total Liabilities**
The fund's total assets increased by 8% in 2024/2025, rising from R20.6 billion in the previous year to R22.3 billion. Over the same period, total liabilities grew by 6%, from R17.7 billion to R18.8 billion. This demonstrates continued positive growth in net assets, strengthening the fund's financial position. Compared to the 2022/2023 financial year, total assets have increased by 15% (from R19.4 billion), while total liabilities have grown by 11% (from R17.0 billion), signalling sound management of beneficiary funds and a healthy reserve margin to meet future obligations.

## 5. Fraud Prevention and Detection

The department adopts a zero-tolerance approach to fraud and corruption and has implemented a fraud prevention strategy. A fully functional and capacitated forensic directorate ensures that all fraud and loss matters, as well as potential maladministration, are addressed proactively.

The department also performs an annual risk assessment to identify and address emerging risk areas to ensure the integrity and safety of the beneficiary funds within the GF.

Notwithstanding existing fraud strategies, the GF experienced a fraud incident at its Pietermaritzburg office, where R17.8 million was stolen in April 2023. Upon discovery of this incident, an internal forensic investigation was conducted, and the criminal investigation led by the Hawks is ongoing. The matter was reported in the 2023/2024 annual financial statements and is covered as part of the material irregularity discussed below.

## 6. Material Irregularity

On 27 July 2023, the Auditor-General of South Africa (AGSA) issued a notice of material irregularity (MI) concerning a duplicate payment of R7.2 million made to GF beneficiaries during the 2021/2022 financial year. As of the reporting date, R3.6 million of this amount has been recovered, with ongoing efforts to recover the remaining balance.

Additionally, on 4 October 2023, AGSA issued another notice of MI related to unauthorised payments totalling R17.8 million, which were made to non-beneficiaries on 6 April 2023. A total of R8.9 million has been secured through preservation orders, and as at year end R4.41 million was recovered in March 2025.

The department has responded to both MI notifications and is fully cooperating with the MI process.

## 7. Investment Management

The financial stewardship of the GF is a complex and challenging responsibility, given its significant balance sheet, which has grown to over R22.1 billion (2023/24: R20.6 billion) in investable assets. The Financial Management Services, with the support of the Office of the Chief Master, oversees the mandate given to the PIC, ensuring that the GF's investments are managed prudently and effectively.

## 8. Acknowledgement

I extend my sincere appreciation to all stakeholders for their unwavering support and valuable contributions. Their efforts have been instrumental in achieving the milestones recorded during the 2024/2025 financial year.

## 9. Approval

The annual financial statements as set out on pages 23 to 51 have been approved by the accounting officer.

Adv. Doc Mashabane
Director-General
Department of Justice and Constitutional Development
Date: 31 July 2025

# REPORT OF THE AUDIT COMMITTEE

# REPORT OF THE AUDIT COMMITTEE ON THE GUARDIAN'S FUND

## Part 3: Audit Committee Focus Areas

The following were reviewed during the year under review:

### EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS

The Accounting Officer and Management are responsible for designing and implementing an effective system of internal controls to mitigate risks and control deficiencies.

The system of internal control is designed to provide cost effective assurance for ensuring achievement of the Department's objectives and these controls are required to be effective throughout the year.

The Audit Committee has noted improvement in general in resolving issues and concerns raised in the previous year. However, the lack of a proper Guardian's Fund financial system is still a concern and its absence has created opportunities for fraud.

The Audit Committee has noted that the Accounting Officer and Management have undertaken to resolve the issue with speed. The Audit Committee will continue to track progress on its implementation and also the implementation of measures which the Accounting Officer has planned for resolving the Material Irregularity findings issued by the Auditor General

### EFFECTIVENESS OF THE INTERNAL AUDIT (IAF)

The Internal Audit unit has provided the Audit Committee and management with independent assurance and advice on the effectiveness of the measures to mitigate risks. The Audit Committee is satisfied that Internal Audit has discharged its responsibilities as per the Internal Audit plan informed by the risk assessment process and the assurance needs of the Department.

### ACTIVITIES OF THE INTERNAL AUDIT / FUNCTION

The Internal Audit function is responsible for providing independent assurance to the Audit Committee regarding the adequacy, efficiency, economy and effectiveness of the network of risk management, internal controls, and governance processes as designed and implemented by departmental management that they are adequate and functioning effectively with regard to the achievement of objectives.

### EFFECTIVENESS OF RISK MANAGEMENT

The Audit Committee has been continuously ensuring that the department implement effective measures to prevent, detect and resolve matters which are raised.

The Information and Communication Technology is an area that management should continue to ensure that it is strengthen adequately.

## ADEQUACY, RELIABILITY, AND ACCURACY OF FINANCIAL AND PERFORMANCE INFORMATION

The Audit Committee has reviewed financial and performance information through the year under review when presented by management and the Accounting Officer. The audit is satisfied with the report of the Auditor-General in this regard.

## ACCOUNTING AND AUDITING CONCERNS IDENTIFIED AS A RESULT OF INTERNAL AND EXTERNAL AUDITS

The Audit Committee has taken note of the material irregularity raised by AG and management have updated on the progress made in the resolution of the findings.

The Audit Committee further noted that AG had expressed satisfaction at the time of reporting about management's actions in resolving material irregularity.

The Audit Committee also noted the lack of a proper IT system for administering the GF and that exposed the Department to risks of fraud and delays in the payment of beneficiaries and this needs to be resolved. This is also linked to the broader ICT challenges within the department.

## COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

The Audit Committee is satisfied with the general state of compliance with legal and regulatory provision within the fund.

## THE QUALITY OF THE IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORTS SUBMITTED IN TERMS OF LEGISLATION

The Audit Committee has reviewed the management reports submitted by management and the Accounting Officer and we are satisfied of the quality thereof.

## COMBINED ASSURANCE

The department is working on finalizing the process of combined assurance.

## EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

The Audit Committee also reviewed the Auditor-General South Africa's final management letter and the audit report and also management's responses where shortcomings are identified, the Audit Committee will continue to monitor the implementation of corrective measures agreed to by management. The department will need to continue to develop and implement action plans for addressing the root causes which had resulted in shortcomings identified during the audit.

## AUDITOR-GENERAL'S REPORT

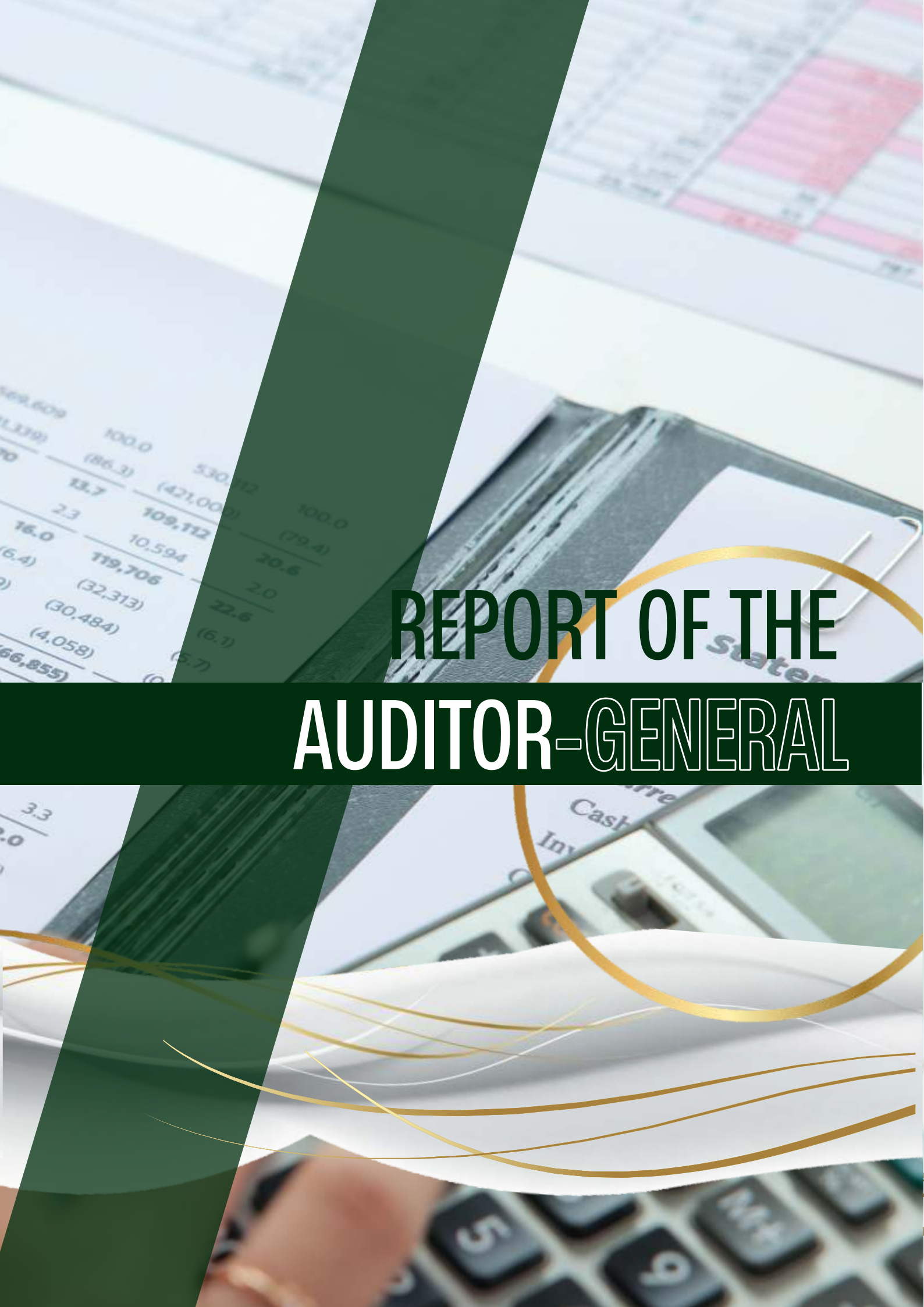
The Audit Committee appreciates the unqualified audit opinion reported by the Auditor-General.

## CONCLUSION

The Audit Committee is pleased that the fund has maintained the unqualified audit opinion for three consecutive years.

Besky Maluleka-Ngunjiri
Chairperson of the Audit Committee
Department of Justice and Constitutional Development
Date: 31 July 2025

Income statement
Profit before income tax
Profit from operations
Total expenses
Profit before expenses
Gross profit
Company



# REPORT OF THE AUDITOR-GENERAL

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE GUARDIAN'S FUND

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Guardian's Fund set out on pages 27 to 51, which comprise the statement of financial position as at 31 March 2025, statement of financial performance, statement of changes in net assets, and the cash flow statement for the year then ended, as well as 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 Guardian's fund as at 31 March 2025 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 general notice issued in terms of the Public Audit Act 25 of 2004 (PAA).

### 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 responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the fund in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
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 16 to the financial statements, the corresponding figures for 31 March 2024 were restated as a result of an error in the financial statements of the fund at, and for the year ended, 31 March 2025.

## Material losses

8. As disclosed in note 6 to the financial statements, material losses of R26 149 000 (R2024: R28 375 000) were incurred as a result of payments to fictitious/ unauthorized payments made to non-beneficiaries and duplicate payments made to beneficiaries.

### Responsibilities of the accounting officer for the financial statements

9. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the general notice issued

in terms of the PAA and for such internal control as the accounting officer 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 officer is responsible for assessing the 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 appropriate governance structure either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

**Responsibilities of the auditor-general 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. This description, which is located at pages 20 to 21, forms part of my auditor's report.

## Report on the audit of the annual performance report

13. In terms of the Administration of Estates Act 66 of 1965, the fund is not required to prepare an annual performance report.

## Report on compliance with legislation

14. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the fund's compliance with legislation.

15. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

16. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the fund, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

17. I did not identify any material non-compliance with the selected legislative requirements.

## Other information in the annual report

18. The accounting officer is responsible for the other information included in the annual report. The other information does not include the financial statements and the auditor's report.
19. My opinion on the financial statements and compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
20. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
21. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

22. I considered internal control relevant to my audit of the financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
23. I did not identify any significant deficiencies in internal control.

## Material irregularities

24. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

## Status of previously reported material irregularities

**Duplicate payments made to beneficiaries in 2021-22**

25. Payments from the Guardian's Fund were made to beneficiaries who were not entitled to receive such payment, as required by section 89 of Administration of Estates Act. The Guardian's Fund used a manual process to process payments after the hacking of the bank account (Pietermaritzburg) during the 2020-21 financial year. In May 2021 duplicate payments amounting to R7 235 191 were made from the Pietermaritzburg Guardian's Fund bank account. These payments were discovered after audit trails of the payments were received from the Chief Financial Officer.
26. All the applicants who were paid in the first batch submitted applications and were paid accordingly as they met the requirements of section 89 of the Administration of Estate Act. However, due to internal oversight, duplicate payments were made to the same beneficiaries. By 31 May 2023, R3 678 220 of the R7 235 191 has been recovered. The irregularity is likely to result in a financial loss of R3 556 971 as the department is in the process of trying to recover the funds. These losses have been disclosed in note 6 to the financial statements relating to other statutory

receivables.

27. The accounting officer was notified of the MI on 27 July 2023 and invited to make a written submission on the actions taken and that will be taken to address the matter. The response was received on 24 August 2023. The response from management, including the supporting annexure, indicated that the following steps were taken to address the MI:

a) The department continues to review and approve the control environment within the Guardian's Fund, specifically through the development of the new Guardian's Fund System with integration capabilities which is set to be implemented in the 2023-24 financial year.

b) Some recommendations from the internal audits conducted are in the process of being implemented.

c) The department and the bank were finalising the service-level agreement that will manage the relationship and clarify responsibilities for the two parties when the bank services are consumed.

d) The investigation report recommended that disciplinary actions be taken against an official who was found negligent when performing his duties, and the disciplinary process is in progress.

e) A debt collector was appointed in 2022 and civil recovery through the issuing on letters of demand on 31 July 2023 commenced.

f) The recovery of the remaining R3 557 059 proceeded with the State Attorney's office taking over the civil recovery efforts.

g) The matter was also investigated by the AFU and recommendations included that the Directorate Liability and Litigation Management conduct a determination of liability.

28. I made a determination on the appropriateness of the actions taken on 25 October 2023 and concluded that based on the presentations made and the substantiating documents provided, that appropriate actions are being taken to address the MI.

29. Follow-up letters were sent on 2 February 2024, 4 February 2025 and 3 April 2025 respectively wherein I requested information on progress being made in addressing the MI and the responses were received on 31 May 2024, 20 February 2025 and 14 April 2025 respectively detailing the actions already taken and the planned actions to address the MI. The accounting officer communicated and provided evidence that the following progress has been made to resolve the MI:

a) Subsequent to the appointment of the debt collector in 2022, in September 2023, the outstanding amount of R3 556 971 was referred to the office of the State Attorney. The State Attorney was able to issue court summons to only a few recipients of the duplicate payments. The remaining recipients could not be located, either due to their passing or due to the fact that they reside at informal addresses that are impossible to trace.

b) The investigation report recommended disciplinary action against an official found to have been negligent in the execution of their duties. This disciplinary process was finalised in November 2024, and appropriate disciplinary measures were taken against the official.

c) All bank profiles were revoked and re-established, with each official affirming their commitment to complying with the ICT security policy. Furthermore, the bank was instructed to restrict the payment platform's availability to working days between 08H00 and 16H00. Payment processing was since centralised at the National Office.

d) In November 2024, the department and the bank concluded a service-level agreement (SLA) to govern their relationship and clearly define the roles and responsibilities of both parties regarding the use of banking services.

e) In April 2025, the department piloted the new Guardian's Fund SAP system, designed to enhance the internal control environment, in the Kimberley region. The accounting officer plans to implement the system across all remaining regions by 31 July 2025.

30. I will follow up on the implementation of the planned actions and the effectiveness thereof during my next audit.

**Unauthorised payments made to non-beneficiaries**

31. Payments from the Guardian's Fund were made to non-beneficiaries who were not entitled to receive such payment, as required by section 89 of Administration of Estates Act. On April 6, 2023, unauthorised transactions were processed from the Pietermaritzburg master's office bank account. The total processed funds amounted to R17 782 133. These payments were discovered through an alert by the bank's fraud division. R8 860 023 of the total amount has been secured through the preservation orders with the assistance of law enforcement agencies. The irregularity is likely to result in a financial loss of R8 922 110, as no preservation orders have been secured for this amount. These losses have been disclosed in note 6 to the financial statements relating to other statutory receivables.

32. The accounting officer was notified of the MI on 5 September 2023 and invited to make a written submission on the actions taken and that will be taken to address the matter. The response was received on 3 October 2023. The response from management indicated that the following steps have been taken and or would be taken to address the MI:

a) Following the internal investigation four officials were placed on precautionary suspension and the department was working on a disciplinary process.

b) A criminal case was opened, and the Financial Intelligence Centre (FIC) was involved.

c) The Asset Forfeiture Unit (AFU) was requested to assist with the preservation orders.

d) All bank user profiles were revoked and recreated with each official confirming their commitment to ensure adherence to ICT security policy.

e) The bank was instructed to only open the payment processing during working days between 8H00 and 16H00.

f) Payment processing on the bank platform was centralised to the National Office.

g) The department continues to review and improve the control environment within the Guardian's Fund, specifically through the development of the new Guardian's Fund System with integration capabilities which is set to be implemented in the 2023-24 financial year.

h) The Government Pension Fund as the major contributor to the fund will also be doing process review which will be an added external verification of the processes.

i) Some recommendations from the internal audits conducted are in the process of being implemented.

j) A service-level agreement is being drafted with the bank to improve communication channels and to prevent fraudulent transactions to go through.

k) The department is in constant communication with the AFU regarding the attachment of the implicated persons assets.

33. Follow-up letters were sent on 2 February 2024, 4 February 2025 and 3 April 2025 respectively wherein I requested information on progress being made in addressing the MI and the responses were received on 31 May 2024, 20 February 2025 and 14 April 2025 respectively detailing the actions already taken and the planned actions to address the MI. The accounting officer communicated and provided evidence that the following progress has been made to resolve the MI:

a) The preservation orders were already issued on 26 April 2023 with the support of the Financial Intelligence Centre (FIC) and the Asset Forfeiture Unit (AFU), a total amount of R8 860 023 was secured through preservation orders. Subsequently, forfeiture orders were granted on 18 March 2025 and 24 March 2025 for the amounts initially preserved, totalling R100 000 and R8 860 024, respectively. These funds, along with any interest accrued, are to be forfeited to the fund. Of the forfeited amounts, R4 412 823 was transferred to the Guardian's Fund account in March 2025.

b) The criminal case that was opened with the Directorate for Priority Crime Investigation (HAWKS) in 2023 is currently still in progress. To date the HAWKS has not found evidence of any wrongdoing on the side of the officials the Guardian's Fund.

c) In November 2024, the department and the bank concluded a service-level agreement to govern their relationship and clearly define the roles and responsibilities of both parties regarding the use of banking services.

d) In April 2025, the department piloted the new Guardian's Fund SAP system, designed to enhance the internal control environment, in the Kimberley region. The accounting officer plans to implement the system across all remaining regions by 31 July 2025.

34. I will follow up on the implementation of further action taken and the effectiveness thereof during my next audit.

Auditor - General

AUDITOR-GENERAL
SOUTH AFRICA

*Auditing to build public confidence*

Pretoria
31 July 2025

# ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- The Auditor-General's responsibility for the audit
- The selected legislative requirements for compliance testing

**Auditor-general's responsibility for the audit**

### Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on the fund's compliance with selected requirements in key legislation.

### Financial statements

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

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

### Communication with those charged with governance

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

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

**Compliance with legislation – selected legislative requirements**

The selected legislative requirements are as follows:

| Legislation | Sections or regulations |
|---|---|
| The general notice no. 5875 issued in terms of the Public Audit Act 25 of 2004 (PAA), under Gazette no. 52149 | Paragraph 37 |

Report

Report

# FINANCIAL STATEMENTS

# GUARDIAN'S FUND
# ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2025

## General Information

| | |
|---|---|
| Country of incorporation and domicile | South Africa |
| Nature of business and principal activities | Statutory Trust |
| Member | Adv. Doc Mashabane (Director-General) |
| Registered office | Momentum Centre<br>329 Pretorius Street Pretoria |
| Postal address | Private Bag x81<br>Pretoria 0001 |
| Auditors | Auditor-General of South Africa<br>Registered Auditors |

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**Abbreviations used:**

| | |
|---|---|
| DoJ&CD | Department of Justice and Constitutional Development |
| GF | Guardian's Fund |
| GRAP | Generally Recognised Accounting Practice |
| PIC | Public Investment Corporation |
| NRF | National Revenue Fund |

# ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Public Finance Management Act (Act 1 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 officer 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 period then ended. The external auditors were engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the fund and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the fund and all employees are required to maintain the highest ethical standards in ensuring the fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the fund is on identifying, assessing, managing and monitoring all known forms of risk across the fund.

While operating risk cannot be fully eliminated, the fund endeavours to minimise such risk by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer 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. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The fund is wholly dependent on the department for continued funding of operations. The annual financial statements are prepared on the basis that the fund is a going concern and that the fund has neither the intention nor the need to liquidate or curtail materially the scale of the fund.

Although the accounting officer is primarily responsible for the financial affairs of the fund, he is supported by the fund's external auditors.

The external auditors are responsible for independently reviewing and reporting on the fund's annual financial statements. The annual financial statements have been examined by the fund's external auditors and their report is presented on page 13.

The annual financial statements set out on pages 27 to 51, which have been prepared on the going concern basis, were approved by the accounting officer on 31 May 2025 and were signed on its behalf by:

Adv. Doc Mashabane (Director-General)
Accounting Officer

## Statement of Financial Position as at 31 March 2025

| | Note | 2025<br>R'000 | 2024<br>Restated*<br>R'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 3 | 739 260 | 592 133 |
| Receivables from exchange transactions | 4 | 870 | 1 005 |
| Financial investments at fair value | 5 | 21 304 447 | 19 975 714 |
| Other statutory receivables | 6 | 26 149 | 28 375 |
| | | **22 070 725** | **20 597 227** |
| **Non-Current Assets** | | | |
| Financial investments at fair value | 5 | 203 381 | - |
| **Total Assets** | | **22 274 106** | **20 597 227** |
| | | | |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Unclaimed monies 30 years | 7 | 13 974 | 8 248 |
| Provisions | 8 | 2 255 982 | 2 126 398 |
| | | **2 269 996** | **2 134 646** |
| **Non-Current Liabilities** | | | |
| Provisions | 8 | 16 543 865 | 15 593 586 |
| **Total Liabilities** | | **18 813 820** | **17 728 232** |
| **Net Assets** | | **3 460 286** | **2 868 995** |
| Accumulated surplus | | 3 460 286 | 2 868 995 |
| **Total Net Assets** | | **3 460 286** | **2 868 995** |

## Statement of Financial Performance

| | Note | 2025<br>R'000 | 2024<br>Restated*<br>R'000 |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Interest income | 9 | 1 879 067 | 1 724 176 |
| **Expenditure** | | | |
| Management fees | 10 | (6 133) | (5 752) |
| Interest accrued to beneficiaries | 11 | (1 299 055) | (1 232 729) |
| **Total expenditure** | | **(1 305 188)** | **(1 238 481)** |
| Gain on fair value adjustment | 12 | 25 504 | 6 970 |
| **Surplus for the year** | | **599 384** | **492 665** |

## Statement of Changes in Net Assets

| | Note | Accumulated surplus R'000 | Total net assets R'000 |
|---|---|---|---|
| **Balance at 01 April 2023** | | **2 374 898** | **2 374 898** |
| Changes in net assets | | | |
| Surplus for the year | | 492 665 | 492 665 |
| Total changes | | 492 665 | 492 665 |
| Opening balance as previously reported | | 2 867 564 | 2 867 564 |
| Adjustments | | | |
| Prior year adjustments | 16 | (6 661) | (6 661) |
| **Restated* Balance at 01 April 2024 as restated*** | | **2 860 902** | **2 860 902** |
| Changes in net assets | | | |
| Surplus for the year | | 599 384 | 599 384 |
| Total changes | | 599 384 | 599 384 |
| **Balance at 31 March 2025** | | **3 460 286** | **3 460 286** |

## Cash Flow Statement

| | Note | 2025 R'000 | 2024 Restated* R'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Beneficiary Liabilities deposits | | 1 792 604 | 1 716 050 |
| ABSA Interest received | | 19 212 | 11 547 |
| | | **1 811 816** | **1 727 507** |
| **Payments** | | | |
| Repayment to beneficiary liabilities (capital) | | (1 246 297) | (1 456 238) |
| Repayment to beneficiary liabilities (interest) | | (759 061) | (765 874) |
| Unclaimed monies 30 year to NRF | | (6 878) | (7 384) |
| Net losses (Statutory Receivables) | | 298 | (17 472) |
| **Net cash flows from operating activities** | **13** | **(200 121)** | **(519 461)** |
| **Cash flows from investing activities** | | | |
| PIC Interest received | | 1 859 990 | 1 712 632 |
| Purchase of financial assets | | (1 506 610) | (1 077 024) |
| **Net cash flows from investing activities** | | **353 381** | **635 606** |
| **Net increase/(decrease) in cash and cash equivalents** | | **147 127** | **110 393** |
| Cash and cash equivalents at the beginning of the year | | 592 133 | 481 740 |
| **Cash and cash equivalents at the end of the year** | **3** | **739 260** | **592 133** |

# Significant Accounting Policies

## 1. Significant accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

### 1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of GRAP, issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

### 1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the fund.

### 1.3 Going concern assumption

These annual financial statements have been prepared based on the expectation that the fund will continue to operate as a going concern for at least the next 12 months.

### 1.4 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

### 1.5 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates.

## Significant Accounting Policies

**1.5 Significant judgements and sources of estimation uncertainty (continued)**

Actual results in the future could differ from these estimates which may be material to the annual financial statements.

**Provisions**

A provision for beneficiary liabilities is recognised when the Guardian's Fund has a present legal obligation as a result of a past event. It is probable that an outflow of economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the reporting date. Although the exact timing of future claims remains uncertain, the value of the obligation can be reliably measured based on the original capital received and any accrued interest, where applicable.

Provisions are reviewed annually and adjusted to reflect the current best estimate of the obligations. A provision is derecognised once the corresponding beneficiary claim is validated and settled.

**1.6 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;

## Significant Accounting Policies

**1.6 Financial instruments (continued)**

- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

**Classification**

The Guardian's Fund has the following types of financial assets as reflected on the face of the statement of financial position:

| Class | Category |
|---|---|
| Cash and cash equivalents | Financial asset measured at fair value |
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Financial investment | Financial asset measured at fair value |

**Initial recognition**

The Guardian's Fund recognises a financial asset in the statement of financial position when the Guardian's Fund becomes a party to the contractual provisions of the instrument.
Initial and subsequent measurement of financial assets

**Initial and subsequent measurement of financial assets**

The Guardian's Fund measures all the financial assets as mentioned above as follows:

- **Cash and Cash Equivalents.**

Cash and cash equivalents comprise funds held in the Guardian's Fund's operational bank accounts as well as the trading cash balances maintained in the fund's investment accounts with the Public Investment Corporation (PIC).

Cash and cash equivalents are initially measured at fair value and subsequently measured at amortised cost

- **Financial investments at fair value.**

Financial investments comprise instruments managed by PIC which are initially and subsequently measured at fair value. It is the GF's policy to account for changes in the fair value of investments classified at fair value through the Statement of Financial Performance. The fair value adjustment is calculated as the difference between the market value at the end of the reporting period and the cost of the investment. These investments are revaluated once a year at the end of the reporting period.

**1.7 Revenue from exchange transactions**

Revenue from exchange transactions is recognised when it is probable that future economic benefits or service potential will flow to the fund, and the amount of revenue can be measured reliably. Exchange revenue of the GF primarily comprises interest income earned from investments managed by the PIC and interest earned on bank balances held with a commercial bank.

## Significant Accounting Policies

### 1.7 Revenue from exchange transactions (continued)

**Interest Revenue**
Interest revenue is recognised using the effective interest method. This method calculates interest income by applying the effective interest rate to the gross carrying amount of a financial asset. Interest revenue is accrued on a time-proportionate basis, taking into account the principal amount and the applicable interest rate over the period.

**Interest revenue is generated from:**
Current accounts held with a commercial bank
Investment portfolios managed by the PIC.

Interest revenue is classified as exchange revenue in accordance with GRAP 9, as it arises from contractual arrangements.

### 1.8 Accounting by principals and agents

**Identification**
The Guardian's Fund appoints the PIC to invest surplus funds on its behalf. This arrangement is classified as a principal-agent relationship in terms of GRAP 109, where:

**Identifying whether an entity is a principal or an agent**
A principal-agent arrangement exists between the GF and the PIC related to the management of GF's investments with financial institutions for the benefit of the GF and, therefore, the PIC is the agent, and the GF is the principal. In order to manage the GF's investments.

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

**Binding arrangement**
In terms of section 91(4)(a) of the Administration of Estates Act, 1965 (Act No. 66 of 1965), the Guardian's Fund is legally required to invest unclaimed or surplus funds solely with the PIC. This removes discretion in selecting investment service providers.

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

**Recognition**
The fund, as principal:
Recognises all assets, income, expenses, and liabilities related to investments managed by the PIC; Discloses the nature and financial impact of the arrangement in accordance with GRAP 109.

### 1.9 Interest accrued to beneficiaries

*(i) Initial Recognition*
Interest earned by beneficiaries is recognised as an expense in the Statement of Financial Performance. This interest arises from the provision recognised in respect of the beneficiary liability, in accordance with GRAP 19.

The fund accrues interest to beneficiaries as a statutory obligation. It is credited to the individual beneficiary accounts via the Guardian's Fund System. Interest is accrued from the beginning of the calendar month following the date of deposit, and continues to accrue until the earlier of:
The date the funds are legally claimed, or a period of five years after the date on which the funds became legally claimable.

*(ii) Subsequent Measurement*
The accrued interest is updated monthly based on applicable interest rates and added to the provision for beneficiary liabilities.

## Significant Accounting Policies

### 1.9 Interest accrued to beneficiaries (continued)

The carrying amount of the provision is reviewed at each reporting date to reflect the most current estimate of the liability, inclusive of accrued interest.

The fund does not discount the provision, as the timing of payments to beneficiaries is uncertain.

### 1.10 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Where accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

### 1.11 Related parties

Related parties are identified and disclosed in accordance with GRAP 20. For the purposes of the Guardian's Fund, related parties include:

- Key management personnel, being individuals responsible for planning, directing, and controlling the activities of the fund. These include members of the Executive Committee, Masters of the High Court, chief directors or senior managers within the Office of the Chief Master, and officials from the Financial Management Services directorate who perform oversight or decision-making roles affecting the fund.
- The DoJ&CD, which is the department under which the Guardian's Fund is administered. All Guardian's Funds fall under the common control of the DoJ&CD, and thus are considered related to each other.
- Other Guardian's Funds are administered by various Masters of the High Court, where decision-making structures or oversight may overlap.
- Close family members of key management personnel, if it is reasonable to expect they may influence or be influenced by those individuals in dealings with the fund.

### 1.12 Events after reporting date

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

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

The fund will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

### 1.13 Prior period error

The fund corrects material prior period errors retrospectively by restating comparative figures

## Significant Accounting Policies

**1.13 Prior period error (continued)**

for the affected period. Where the error occurred before the earliest period presented, the opening balances of assets, liabilities and net assets are restated. The nature and impact of the error are disclosed, unless impracticable to determine.

# Notes to the Annual Financial Statements

## 2. New standards and interpretations

### 2.1 Standards and interpretations issued, but not yet effective

The fund has not applied the following standards and interpretations, which have been published and are mandatory for the fund's accounting periods beginning on or after 01 April 2025 or later periods:

| Standard / Interpretation | Effective Date: | Expected impact |
|---|---|---|
| | Year beginning on or after | |
| GRAP 1 (amended): Presentation of Financial Statements (Going Concern) | 01 April 2025 | Impact is currently being assessed |
| GRAP 104 (as revised): Financial Instruments | 01 April 2025 | Impact is currently being assessed |
| GRAP 1 (amended): Presentation of Financial Statements (Materiality) | 01 April 2025 | Impact is currently being assessed |

| | | 2025 R'000 | 2024 R'000 |
|---|---|---|---|
| 3. | **Cash and cash equivalents** | | |
| | Cash and cash equivalents consist of: | | |
| | Bank balances | 168 967 | 136 088 |
| | Trading Cash – PIC | 570 293 | 456 045 |
| | | **739 260** | **592 133** |

| | | 2025 R'000 | 2024 R'000 |
|---|---|---|---|
| 4. | **Receivables from exchange transactions** | | |
| | Accrued interest from commercial bank | 870 | 1 005 |

## Notes to the Annual Financial Statements

| | | 2025<br>R'000 | 2024<br>R'000 |
|---|---|---|---|
| **5.** | **Financial investments at fair value** | | |
| | **Current Assets** | | |
| | Designated at fair value | | |
| | Financial investments at fair value | 21 304 447 | 19 975 714 |
| | **Non-current assets** | | |
| | Designated at fair value | 203 381 | - |
| | **Reconciliation of financial investments at fair value:** | | |
| | Opening balance | 19 975 714 | 18 891 719 |
| | Trading cash | 456 045 | 301 190 |
| | Investment income during the year | 1 859 990 | 1 712 631 |
| | Additions income during the year | 152 000 | 30 000 |
| | Disposal income during the year | (385 000) | (505 000) |
| | Management fees | (6 133) | (5 752) |
| | Gain on fair value adjustments | 25 504 | 6 970 |
| | | 22 078 120 | 20 431 759 |
| | Less trading cash | (570 293) | (456 045) |
| | | **21 507 828** | **19 975 714** |

**6. Statutory receivables**

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

| | | |
|---|---|---|
| Loss receivables | 26 149 | 28 375 |

Statutory receivables represent amounts of losses incurred by the Guardian's Fund because of fraud and overpayments to beneficiaries. In accordance with Chief Master's Directive 6 of 2014, the DoJ&CD is obliged to compensate the Guardian's Fund where recovery from the responsible parties is unsuccessful. This ensures that the rights and interests of beneficiaries are not prejudiced by such losses. The amounts above are recoverable from DoJ&CD as per the above directive. Whilst DoJ&CD is obliged to refund the Guardian's Fund the losses incurred, the department continues pursuing the debtors by exhausting all recovery steps and only considers writing off these debts where all recovery efforts were unsuccessful. The amounts above are the best estimates of the receivables due to fraud and losses incurred.

## Notes to the Annual Financial Statements

| | | 2025<br>R'000 | 2024<br>R'000 |
|---|---|---|---|
| **7.** | **Unclaimed monies 30 years** | | |
| | **Opening Balance as at 1 April** | **8 248** | **9 474** |
| | Less: Unclaimed monies 30 years paid | (6 878) | (7 384) |
| | | 1 370 | 2 010 |
| | Less: Adjustment | (1 370) | (2 010) |
| | Add: New unclaimed monies 30 years | 13 974 | 8 248 |
| | **Closing Balance as at 31 March** | **13 974** | **8 248** |

Funds held in the Guardian's Fund that remain unclaimed for a period exceeding 30 years from the date on which the beneficiary first became entitled to claim are deemed forfeited to the state in accordance with Section 92 of the Administration of Estates Act. These obligations are expected to be settled only if valid claims are made within the 30-year statutory period, whereafter this period, the amounts are transferred to the National Revenue Fund, and no further liability exists on the part of the Guardian's Fund.

| | | 2025<br>R'000 | 2024<br>R'000 |
|---|---|---|---|
| **8.** | **Provisions** | | |
| | **Current liabilities** | | |
| | Beneficiary liabilities | 2 255 982 | 2 126 398 |
| | **Non-current liabilities** | | |
| | Beneficiary liabilities | 16 543 865 | 15 593 586 |

This estimate is based on historical claim patterns. In accordance with management's estimate and expectations regarding the timing of claims, 12% of the total provision is classified as a current liability, representing the portion expected to be claimed within the next 12 months. The remaining 88% is classified as a non-current liability, representing obligations expected to be settled beyond one year.

## Notes to the Annual Financial Statements

**8. Provisions (continued)**

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Total |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| **Reconciliation of provisions – 2025** | | | | | |
| Beneficiary liabilities | 17 719 983 | 3 099 135 | (2 005 358) | (13 915) | 18 799 846 |
| **Reconciliation of provisions – 2024** | | | | | |
| Beneficiary liabilities | 17 000 383 | 2 947 892 | (2 222 112) | (6 180) | 17 719 984 |

The GF administers funds on behalf of legally entitled beneficiaries such as minors, persons with disabilities, unborn heirs, and missing or absent persons in terms of the Administration of Estates Act, 1965 (Act No. 66 of 1965). The fund has a present legal obligation to repay the capital amounts (and in some instances, interest) held on behalf of these beneficiaries when they become legally entitled to claim. However, the timing of the actual claim is uncertain, as it is not known when beneficiaries will submit their applications to claim their funds.

| | 2025 | 2024 |
|---|---|---|
| | R'000 | R'000 |
| **9. Revenue** | | |
| Interest received | 1 879 067 | 1 724 176 |
| **The amounts included in revenue arising from exchanges of goods or services are as follows:** | | |
| Interest received from commercial bank | 19 077 | 11 545 |
| Interest received – PIC | 1 859 990 | 1 712 631 |
| | **1 879 067** | **1 724 176** |

| | 2025 | 2024 |
|---|---|---|
| | R'000 | R'000 |
| **10. Management Fees** | | |
| Management Fees | 6 133 | 5 752 |

Management fees relate to fees withheld by PIC for their services pertaining to the investment.

## Notes to the Annual Financial Statements

| | 2025 R'000 | 2024 R'000 |
|---|---|---|
| **11. Interest accrued to beneficiaries** | | |
| Beneficiaries | 1 299 055 | 1 232 729 |

Interest is accrued only to specific categories of beneficiaries in accordance with the provisions of the Administration of Estates Act, 1965 (Act No. 66 of 1965), section 88. The applicable interest rate is determined annually in consultation with the Minister of Finance. During the period under review, the rate of 8.4% (2023/24 – 8.25%) was applied to calculate the effective interest accrued.

| | 2025 R'000 | 2024 R'000 |
|---|---|---|
| **12. Fair value adjustments** | | |
| Other financial assets | | |
| Other financial assets (Designated as at FV through P&L) | 25 504 | 6 970 |

The fair value adjustments refer to the unrealised profit in the money market account and valuation on instruments.

| | 2025 R'000 | 2024 R'000 |
|---|---|---|
| **13. Cash generated from operations** | | |
| Surplus | 599 384 | 492 665 |
| Adjustments for: | | |
| Interest income – PIC | (1 859 990) | (1 712 631) |
| Add: Management fees | 6 133 | 5 752 |
| Less: Gain/(loss) on Fair value adjustment | (25 504) | (6 970) |
| **Changes in working capital:** | **1 086 021** | **698 034** |
| Movement in provisions | 1 079 863 | 719 600 |
| Movement in statutory receivables | 298 | (22 343) |
| Movement in receivables from exchanged transactions | 135 | (87) |
| | **(200 121)** | **(519 461)** |

# Notes to the Annual Financial Statements

## 14. Service in kind

The fund receives services in kind from DoJ&CD for administration and reporting of transactions.
The DoJ&CD also pays the personnel cost and operational expenditure. These expenses are recorded in the Annual Financial Statements of the department. Operational expenditure includes:

- Office accommodation
- Office equipment provided
- Development of the GF SAP system

As the fund cannot reliably determine the fair value of these in-kind services, no amount has been recognised in the Statement of Financial Performance in respect of these services received.

## 15. Related parties

| Relationships | |
|---|---|
| Entities under common control | In light of the Department of Justice and Constitutional Development being the administrator of the fund, it is considered related to other entities under common control, namely: The President's Fund, Justice Administrated Fund, Special Investigation Unit, Legal Aid South Africa, Office of the Chief Justice, South African Human Rights Commission and the Public Protector South Africa. There are no transactions or balances with these entities in the year under review. |
| Controlling entity | Department of Justice and Constitutional Development |
| Parliament is the ultimate controlling entity | Parliament has the power to govern and influence the functions and policies of the Guardian's Fund, and is consequently a related party to the fund, along with other entities and departments within the national sphere of government. |
| Members of key management | Key management includes all persons having the authority and responsibility for planning, directing and controlling the activities of the fund as listed below. DoJ&CD pays the personnel cost of key management. These expenses are recorded in the Annual Financial Statements of the department. |

In accordance with GRAP 20, the Guardian's Fund has identified the following services in kind provided by DoJ&CD:

The DoJ&CD is the parent department of the Guardian's Fund and provides administrative support and infrastructure, including:

- Office accommodation
- Office equipment
- Development and maintenance of the Guardian's Fund SAP system
- Personnel and operational expenditure related to the administration of the fund.

These services are not recognised in the Statement of Financial Performance as they are in-kind services whose fair value cannot be reliably determined. However, they are disclosed in line with GRAP 23 requirements.

## Notes to the Annual Financial Statements

**15. Related parties (continued)**

**Outstanding balances:**
Statutory receivables from DoJ&CD: R 26.1m (2023/24: R28.4m).

**Remuneration of management class: Executive management 2025**

**Name**
Director-General – Adv. Doc Mashabane
Acting Chief Master – Kanyane Mathibe (April 2024 until March 2025)
Chief Financial Officer – Rofhiwa Irene Singo
Chief Director: Third Party Funds – Bheki Mathunjwa
Acting Chief Director: Operations – Euphemia Daniels
Master Grahamstown – Euphemia Daniels
Master Pretoria – Penelope Roberts (until Sept 2024)
Master Cape Town – Zureena Agulhas
Master Bloemfontein – Jan Du Plessis
Acting Master Kimberley – Wayne Van Rensberg
Master Pietermaritzburg – Letshego Moatlhodi
Director: Guardian's Fund – Maletsatsi Marake

**2024**

**Name**
Director-General – Adv. Doc Mashabane
Chief Master – Penelope Nonhlanhla Roberts
Chief Financial Officer – Rofhiwa Irene Singo
Chief Director : Third Party Funds – Bheki Mathunjwa
Chief Director: Strategy and Policy – Kanyane Mathibe
Master Grahamstown – Euphemia Daniels
Masters Cape Town – Zureena Agulhas
Master Bloemfontein – Jan Du Plessis
Master Kimberley – Craig Davids (retired 31 January 2024)
Master Pietermaritzburg – Letshego Moatlhodi (Appointed October 2023)
Director: Guardian's Fund – Maletsatsi Marake

# Notes to the Annual Financial Statements

## 16. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

| | As previously reported | Correction of error | Re-classification | Restated |
|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 |
| **Statement of financial position** | | | | |
| **2024** | | | | |
| Cash and cash equivalents | 588 850 | - | 3 283 | 592 133 |
| Receivables from exchange transactions | 4 788 | - | (3 783) | 1 005 |
| Receivables from non-exchange | 31 494 | - | (31 494) | - |
| Other Statutory Receivables | - | (3 118) | 31 494 | 28 375 |
| Payables from exchange transactions | 499 | - | (499) | - |
| Beneficiary liabilities – current liabilities | (1 949 698) | - | 1 949 698 | - |
| Beneficiary liabilities – non-current liabilities | (15 774 834) | - | 15 774 834 | - |
| Provisions – current liabilities | - | (176 700) | (1 949 698) | (2 126 398) |
| Provisions – non-current liabilities | - | 181 249 | (15 774 834) | (15 593 586) |
| | **17 099 901** | **(1 430)** | **-** | **17 098 470** |
| **Statement of financial performance** | | | | |
| **2024** | | | | |
| Service in kind - Revenue | 114 554 | (114 554) | | |
| Service in kind - Operating expenditure | (114 554) | 114 554 | | |
| **Surplus for the year** | **-** | **-** | | |
| **Cash flow statement** | | | | |
| **2024** | | | | |
| **Cash flow from operating activities** | | | | |
| ABSA interest received | 9 821 | 1 626 | | 11 457 |
| Repayment to beneficiary liabilities (capital) | (1 499 849) | 43 611 | | (1 456 238) |
| Repayment to beneficiary liabilities (interest) | (722 523) | (43 531) | | (765 874) |
| | **(2 212 541)** | **(260)** | | **(2 210 654)** |

## Notes to the Annual Financial Statements

**16. Prior-year adjustments (continued)**

| | As previously reported | Correction of error | Re-classification | Restated |
|---|---|---|---|---|
| **Cash flow from investing activities** | | | | |
| **2024** | | | | |
| PIC Interest received | 1 435 962 | 276 670) | | 1 712 632 |
| Proceeds from sales of financial assets | 16 506 032 | (16 506 032) | | - |
| Purchases of financial assets | 17 310 000 | (16 232 974) | | 1 077 024 |
| Management fees paid | (3 734) | 3 734 | | - |
| Management fees accrual movement | (1 626) | 1 626 | | - |
| | **629 886** | **5 722** | | **635 607** |

In the current financial year, the fund identified and corrected prior period errors in accordance with GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors. The errors were corrected retrospectively, with restatement of comparative figures and, where necessary, adjustment of the opening balances of the earliest prior period presented.

**Nature of the Prior Period Errors and Reclassifications:**

**Reclassification to Provisions (GRAP 19):** Beneficiary Liabilities have been reclassified to Provisions as they do not arise from contractual obligations and exhibit uncertainty in timing and amount. Upon reassessment, management concluded they meet the definition of provisions under GRAP 19.

**Error – Provisions:** The fund had to correct beneficiary cards after obtaining additional information that was initially not processed on the system.

**Receivables:** Amounts previously classified as Receivables from Non-Exchange Transactions were reclassified to Other Statutory Receivables to reflect their nature more accurately. Receivables from Exchange Transactions were adjusted for accuracy to reflect only balances arising from contractual exchange transactions.

**Payables from Exchange Transactions:** Amounts previously disclosed under Payables from Exchange Transactions, specifically accrued management fees, were reclassified to Financial Investments at Fair Value, as the measurement of investment is carried at fair value.

**Cash Flow Statement Adjustments (GRAP 2):** The cash flow statement was revised to align with GRAP 2, with clear separation of cash inflows and outflows. Only inflow and outflow that directly transacted through the bank accounts were considered and movements such as accrued interest, unrealised investment income, and PIC-managed expenses were removed.

**Trading Cash (Note 15):** The previously disclosed Movement in Trading Cash (Note 15 in the prior year AFS) was removed. The full balance has been accounted for in the cash and cash equivalents.

## Notes to the Annual Financial Statements

**Derecognition of Services In Kind (GRAP 23):** Salaries and other related in-kind services were derecognised as they did not meet the criteria for recognition under GRAP 23: Revenue from Non-Exchange Transactions. Other services in kind, such as development costs, audit fees, and bank charges, were assessed and deemed immaterial, and therefore derecognised.

**Related Party Disclosure (GRAP 20):** Management remuneration, previously disclosed as a related party transaction, was removed, as the services were provided at no cost to the fund and thus fall outside GRAP 20's recognition criteria. In-kind services could also not be reliably measured.

**Principal-Agent Arrangement Disclosure:** A new disclosure note has been included to reflect the principal-agent relationship between the fund and the PIC, based on the nature of their engagement.

**Impact on Financial Statements**

All affected line items in the Statement of Financial Position, Statement of Financial Performance, and Cash Flow Statement have been restated and a detailed reconciliation of these restatements is presented above.

**17. Risk management**

**Concentration risk**
Concentration risk is the risk of losses arising due to poor diversification within funds which can result in undesirable risk exposures.

The Guardian's Fund manages this risk through the investment mandate, which dictates the level of concentration. Money market investments are spread across banks to reduce and diversify the client's concentration risk.

| | Rand Asset Value | Percentage |
|---|---|---|
| **31 March 2025** | | |
| ABSA CORPORATE BANK | 4 467 114 366 | 20% |
| NEDCOR CORPORATE BANK | 4 453 269 935 | 20% |
| STANDARD BANK | 4 396 831 359 | 20% |
| INVESTEC BANK LTD | 4 046 543 548 | 18% |
| FIRST RAND LIMITED | 4 510 980 240 | 20% |
| LAND BANK | 203 381 271 | 2% |
| | **22 078 120 719** | **100%** |
| **31 March 2024** | | |
| ABSA CORPORATE BANK | 4 349 635 983 | 21% |
| NEDCOR CORPORATE BANK | 4 386 075 842 | 21% |
| STANDARD BANK | 4 665 520 464 | 23% |
| INVESTEC BANK LTD | 2 367 308 182 | 12% |
| FIRST RAND LIMITED | 4 339 432 069 | 21% |
| LAND BANK | 316 509 000 | 2% |
| | **20 424 481 540** | **100%** |

# Notes to the Annual Financial Statements

**17. Risk management (continued)**

**Credit risk**
Guardian's Fund investment portfolios are exposed to the potential for credit-related losses that can result due to an individual, counterparty or issuer being unable or unwilling to honour contractual obligations.

To mitigate this risk and minimise excessive credit exposure to one single counterparty, the Guardian's Fund mandate to PIC states that PIC will only invest with local commercial banks or institutions that have a credit rating of at least "A" from one of the recognised domestic and/or international credit rating agencies.
Financial assets exposed to credit risk at year end were as follows:

| Financial instrument | 2025 R'000 | 2024 R'000 |
|---|---|---|
| Cash and cash equivalents | 739 260 | 592 133 |
| Receivables from exchange transactions | 870 | 1 005 |
| Financial investments at fair value | 21 507 828 | 19 975 714 |

**Interest rate risk**
This risk is the potential financial loss as a result of adverse movements in interest rates that affect the value of Money Market Instruments. As a PIC client, the Guardian's Fund has exposure to interest rate risk through investments in Money Market accounts to the sum of R22 billion.

Sensitivity to interest rate movements is measured by the duration of the fixed interest exposure. Such duration is dictated in the Guardian's Fund client investment mandate to PIC, relative to the appropriate benchmark. Furthermore, these investment mandates prescribe how the assets should be managed by PIC, in line with Guardian's Fund liquidity needs and its liability profile.

**Market risk**
Market risk is the exposure to adverse change in the market value of the fund's investment position caused by changes in prices and rates. The fund's activities expose it primarily to the risks of fluctuations in the interest rate.
Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Market risk exposures are measured using sensitivity analysis. A sensitivity analysis shows how net surplus, and/or net assets would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

**Operational risk**
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The fund recognises the significance of the operational risk inherent in all the fund's activities. Operational risk is managed within acceptable levels through an appropriate level of management focus and resource allocation.

# Notes to the Annual Financial Statements

**17. Risk management (continued)**

**Interest rate risk sensitivity analysis**

The sensitivity analysis below has been determined based upon investment exposure to interest rates at the statement of financial position date.

The basis points' increase or decrease were determined by management and represent management's assessment of a reasonable change in interest rates. The positive number indicates an increase in net surplus and a negative number indicates a decrease in net surplus.

There is no change in the methods and assumptions used in preparing the sensitivity analysis from one year to the next. In the graph the zero-interest represent the base as disclosed in the audited financial statements.

The above sensitivity analysis shows that even with a 1.5% change in the interest rate, the Guardian's Fund would have earned sufficient interest investment income to cover the interest paid to fund beneficiaries at the gazetted rate of interest. (Base figures are as follows: interest received – R1.879 billion and interest paid – R1.299 billion.)

| Spread in basis points | Profit/Loss | % Change | Market Value |
|---|---|---|---|
| -150 | 126 761 922 | 0.59% | 21 634 589 700 |
| -100 | 84 283 143 | 0.39% | 21 592 110 921 |
| -50 | 42 029 743 | 0.20% | 21 549 857 521 |
| **0** | **-** | **0.00%** | **21 507 827 778** |
| 50 | -41 807 792 | -0.19% | 21 466 019 985 |
| 100 | -83 395 321 | -0.39% | 21 424 432 457 |
| 150 | -100 316 123 | -0.47% | 21 407 511 655 |

**Liquidity risk**

Liquidity risk is the risk that the fund will not be able to meet its financial obligations as they fall due. The Guardian's Fund manages its liquidity risk through prudent cash management and by maintaining sufficient liquid resources to meet disbursement requirements.

The fund holds monies in trust for beneficiaries such as minors, persons of unsound mind, and missing or deceased individuals, and is required to pay these upon valid claims. However, the timing and quantum of claims are uncertain, making it impractical to provide a contractual maturity analysis as typically required for financial liabilities.

Nature of Beneficiary Liabilities:

- The liabilities to beneficiaries arise from statutory receivables and obligations governed by legal prescripts (e.g., Administration of Estates Act, 1965).
- These are not financial instruments as defined in GRAP 104 and are therefore excluded from liquidity risk maturity analysis.
- For interest-bearing categories, the fund accrues interest annually on available balances. However, the total liability remains indeterminate until such time as a claim is lodged.

# Notes to the Annual Financial Statements

## 17. Risk management (continued)

Liquidity Risk Management Approach:

- The fund maintains sufficient cash and near-cash balances in bank accounts to meet expected claims.
- Surplus funds are invested through the PIC, with consideration for liquidity and capital preservation.
- Daily cash flow monitoring is performed to ensure sufficient liquidity buffers are in place to meet both short- and long-term obligations.

No liquidity shortfalls were experienced during the reporting period.

## 18. Events after the reporting period

There were no events after the reporting date identified.

## 19. Going concern

We draw attention to the fact that at 31 March 2025, the fund had an accumulated surplus of R3.46 billion and that the fund's total assets exceeded its liabilities by R3.46 billion.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The following processes and assumptions were considered in management's assessment of the GF to continue operating as a going concern and to prepare the annual financial statements on this basis:

**Budget allocation**
Management assessed that the operational expenditure of the GF is funded by National Treasury through the budget processes of the DoJ&CD. Such allocation enables the GF to perform its statutory mandate. Such budget allocation and expenditure are managed on the financial and other systems of the DoJ&CD and as such are reported on in the financial statements of the DoJ&CD and not the GF.

**Other receivables:**
The GF has a financial procedure manual and directives in place for the recovery of losses and other receivables. After thorough investigations are performed, the relevant responsible person(s) or entity are identified and that person(s)/entity are obliged to sign either an acknowledgement of debt when it is confirmed that he/she/they should repay the GF or the DoJ&CD (who in turn reimburses the GF). For instances where no person(s)/entity can be identified or held responsible or where all other avenues for recovery have been exhausted, the GF applies for the amounts from the DoJ&CD through a delegated process for funding. The DoJ&CD, in turn, utilises savings, where available, to refund such losses or, in extreme situations, can apply to National Treasury for funding.

**Provisions:**
This represents monies that were received on behalf of beneficiaries. These monies are held in bank accounts and financial instruments are held with PIC. The Guardian's Fund manages this risk through the PIC investment mandate, which dictates the level of concentration. Money market investments are spread across reputable banks to reduce and diversify the concentration risk.

# Notes to the Annual Financial Statements

**19. Going concern (continued)**

The GF is mandated in terms of the Administration of Estate Act, 1965 (Act 66 of 1965) and will be operating in terms of its mandate for the foreseeable future. The GF continues to act as a fund under the custodianship of the DoJ&CD in terms of its legislative mandate and the DoJ&CD will continue to support it in these operations. Therefore, the GF financial statements have been prepared based on applicable accounting policies in respect of a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, or any contingent obligations and commitments will occur in the ordinary course of its operations.

The GF financial statements are therefore prepared on the assumption that the fund is a going concern and will continue in operation for the foreseeable future.

Management and those charged with governance conclude that the GF will be operating for an infinite period in future and therefore a going concern, as GF continues to act as a fund as mandated by the Administration of Estate Act, 1965 (Act 66 of 1965) under the custodianship of the DoJ&CD.

The GF operations will be funded by National Treasury through the budget of the DoJ&CD to cover all future operational costs and possible shortfalls.

Management does not have knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the GF's ability to continue as a going concern.

**20. Accounting by principals and agents**

The GF is a party to a principal-agent arrangement(s).

**Details of the arrangement(s) is/are as follows:**
In terms of section 87 of the Administration of Estates Act, No. 66 of 1965, beneficiary monies received in the Guardian's Fund should be invested with the PIC.
A principal-agent arrangement exists between the GF and the PIC related to the management of GF's investments with financial institutions for the benefit of the GF and, therefore, the PIC is the agent, and the GF is the principal.

**Purpose of the relationship**
The primary purpose of the relationship is to ensure that the funds held by the Guardian's Fund are managed and invested efficiently. The PIC leverages its expertise in investment management to generate returns on these funds, preserving and growing the value of the assets invested.
Mitigation: This entails the establishment of clear contractual agreements that align the PIC's incentives with the objectives of the Guardian's Fund, along with regular audits and performance reviews.
All other risks related to the fund under management are detailed per the Risk Management note.

**GF as principal**
The financial investment has not been recognised by PIC in its financial statements.
Summary of transactions:

# Notes to the Annual Financial Statements

**20. Accounting by principals and agents (continued)**

| Description | 2025<br>R'000 | 2024<br>R'000 |
|---|---|---|
| Financial investments at fair value | 21 507 827 | 19 975 714 |
| Trading cash | 570 293 | 456 045 |
| Interest received – investment | 1 859 990 | 1 712 631 |
| Management fee | (6 133) | (5 752) |

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