GUARDIAN'S FUND ANNUAL REPORT 2025 / 26

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 2026

1. Introduction

The Guardian's Fund (GF) is a statutory trust created under Chapter V of the Administration of Estates Act, 1965 (Act 66 of 1965), and comprises all monies received or held by the Master of the High Court in terms of that Act, any other legislation, or a court order, including monies accepted by the Master in trust on behalf of known or unknown persons.

Its role is to safeguard and administer funds for people who are legally unable to manage their own financial affairs, and for heirs who are undetermined, unknown, absent or untraceable.

Administration of the GF rests with the Master of the High Court: on receipt of any money, an account is opened either in the name of the person to whom it belongs or in the name of the relevant estate, and the Master pays out to an applicant once satisfied that they are entitled to the funds.

All beneficiary monies are invested with the Public Investment Corporation (PIC) in terms of section 87 of the Administration of Estates Act. Interest income for the 2025/2026 financial year amounted to R1.742 billion, a decrease of 7.3% from the R1.879 billion earned in 2024/2025..

The interest rate applied in determining beneficiary liabilities is set annually in consultation with the Minister of Finance, and applies only to those categories of beneficiaries entitled to interest under section 88 of the Administration of Estates Act. This rate moved from 8.4% in 2024/2025 to 7.6% in 2025/2026 and, applied to the underlying beneficiary balances, resulted in R1.195 billion being accrued as interest to beneficiaries during the year, a decrease of 8.0% from the R1.299 billion accrued in 2024/2025. This interest is added to individual beneficiary accounts and forms part of the amounts ultimately payable to beneficiaries or their guardians on a successful claim.

2. Core Service Delivery Environment

The GF continues to operate through six Master's Offices, located in Pretoria, Cape Town, Pietermaritzburg, Makhanda, Bloemfontein and Kimberley, supported by a wider network of some 302 service points nationwide that bring the Fund closer to beneficiaries who would otherwise have to travel to a main office to lodge an application.

Payment processing for all six offices has remained centralised at the National Office within Financial Management Services since the 2023 Pietermaritzburg fraud incident, using an interim, process governed by Chief Master's Directive 3 of 2023. This arrangement was intended as a temporary measure pending the rollout of a new SAP-based Guardian's Fund System with integrated banking functionality. The new system was piloted at the Kimberley Master's Office from April 2025.

The difficulties encountered during the pilot related principally to the migration of beneficiary data from the legacy Guardian's Fund System to the new platform. Management resolved in November 2025 that national rollout should not proceed until the integrity of migrated data can

be assured, and work to verify and correct the migrated Kimberley beneficiary records has continued since. The interim process accordingly remained in place across the other five offices for the full year under review.

This prolonged reliance on the interim process proved costly. In September 2025, fraudulent alteration of beneficiary bank details during the payment upload process resulted in a confirmed loss of R13 485 193.03 across the Pietermaritzburg and Makhanda offices, as set out in Section 5. This incident, together with the earlier duplicate-payment and unauthorised-payment losses, indicates that the centralised interim process has not delivered the level of control originally intended, and that finalising and rolling out the new system remains a priority for the year ahead.

3. Unclaimed Monies

In terms of section 92 of the Administration of Estates Act, beneficiary funds that remain unclaimed for a period exceeding 30 years from the date on which the beneficiary first became entitled to claim them are forfeited to the State and paid over to the National Revenue Fund.

The balance of unclaimed monies (30 years) opened at R13.974 million. During the year R7.936 million was paid out to claimants and R6.037 million was transferred to provisions, while R10.161 million in newly identified unclaimed monies was added. The balance accordingly closed at R10.162 million at 31 March 2026.

A number of safeguards remain in place to help guardians and beneficiaries claim what is due to them before the 30-year period lapses:

- Government Employees Pension Fund (GEPF) deposits: where GEPF is the source of the funds, GEPF itself writes to the beneficiary's guardian, together with proof of deposit, identifying the Guardian's Fund office at which the claim must be lodged.
- Deceased estates involving minors: where an executor pays a minor's inheritance into the GF, the minor's guardian is similarly notified of the deposit and the relevant Master's Office.
- Statutory advertising: in terms of section 91 of the Administration of Estates Act, amounts of R1 000 or more that have been claimable and have remained unclaimed for a period exceeding one year but not exceeding three years are advertised in the Government Gazette (full names and identity numbers only, without amounts), with each account advertised on three occasions. The advertisements are also displayed at every Magistrate's Court and published on the Master's Office website.

4. Financial Performance and Position

This section presents the Fund's overall financial performance for 2025/2026, drawing on the audited Statement of Financial Position, Statement of Financial Performance and Cash Flow Statement.

Beneficiary Deposits and Payments
Cash deposits received on behalf of beneficiaries totalled R1 710.881 million in 2025/2026, down 4.6% on the R1 792.605 million received the previous year. Repayments to beneficiaries rose to R2.599 billion, a 29.6% increase on the R2.005 billion paid out in 2024/2025. Of this, R1 710.521 million related to capital repayments (2024/2025: R1 246.297 million) and R888.562 million to interest (2024/2025: R759.061 million).

Transaction Volumes
Deposit volumes fell sharply during the year, with 9 815 deposit transactions processed in 2025/2026 compared with 13 412 in 2024/2025 - a decline of 26.8%. Payment volumes moved in the opposite direction, rising 3.7% from 33 598 to 34 833 transactions.

Beneficiary Liabilities, Assets and Net Assets
Beneficiary liabilities, which represent the Fund's obligation to repay capital and, where applicable, interest held on behalf of beneficiaries, grew to R19.135 billion at 31 March 2026 from R18.800 billion a year earlier.

Total assets grew 3.9% over the year, from R22.274 billion to R23.146 billion, while total liabilities increased at a slower pace of 1.8%, from R18.814 billion to R19.145 billion. Net assets consequently rose 15.6% to R4.001 billion, after a surplus of R540.461 million for the year, which was lower than the R599.383 million recorded in 2024/2025. The Fund's net asset position arises because the returns generated on beneficiary monies invested with the PIC have consistently exceeded the rate of interest determined by the Minister of Finance and credited to beneficiary accounts under section 88 of the Administration of Estates Act. The resulting reserve is retained within the Fund and supports its capacity to meet beneficiary obligations as they fall due.

5. Fraud Prevention and Detection

Fraud and corruption are addressed through a zero-tolerance policy supported by a dedicated forensic directorate, which investigates fraud, loss and maladministration matters. A fraud and loss register is maintained to track identified losses and recoveries; where recovery from the responsible party is not achieved, the shortfall is raised as a receivable.

At 31 March 2026, statutory (loss) receivables relating to fraud and beneficiary overpayments stood at R40.375 million, up from R26.149 million the previous year. This cumulative balance was highlighted as an emphasis of matter in the Auditor-General's report, although it did not affect the audit opinion. In terms of Chief Master's Directive 6 of 2014, the Department of Justice and Constitutional Development remains liable to reimburse the Fund for losses that cannot ultimately be recovered, protecting beneficiaries from bearing the cost of such losses.

The September 2025 incident
On 26 September 2025, the Deputy Master: Guardian's Fund at Pietermaritzburg alerted the Forensic Unit to a suspected fraud: bank account details on payment list PMB 882, as processed through the ABSA Business Integrator Online (BIO) platform, did not match those on the list submitted by the Pietermaritzburg office. The fraudulent accounts, held at Capitec Bank, were frozen the same day and ABSA was notified.

By 1 October 2025, further investigation had established that the exposure was not limited to Pietermaritzburg but extended to the Makhanda office as well, with a combined confirmed loss of R13 485 193.03 across 33 payments: R7 263 127.92 across 17 transactions at Makhanda, and R6,222,065.11 across 16 transactions at Pietermaritzburg.

The above fraud was committed through the alteration of the beneficiary bank details based on the preliminary investigation that was conducted

The department's response included freezing the implicated accounts and notifying both ABSA and Capitec; briefing the executive; comparing the relevant email correspondence and seizing the affected officials' laptops for forensic analysis; opening a criminal case with the South African Police Service under CAS 1/10/2025, registered on 30 September 2025; and engaging the Asset Forfeiture Unit (AFU) and Financial Intelligence Centre (FIC) to trace and recover the diverted funds, supported by a consolidated affidavit submitted on 1 October 2025.

Recovery to date has been limited. As at 16 October 2025, the AFU had been able to secure only R183 000 through a preservation order, leaving R13.302 million exposed. Most of the funds appear to have passed through intermediary accounts and been withdrawn shortly after the fraud, which significantly reduces the prospects of recovery. Internal Audit's investigation is ongoing, the Minister has been briefed, and

consequence management against any official found to have been negligent will follow once the forensic findings are available.

6. Audit Outcome and Material Irregularities

The Fund's overall audit outcome for 2025/2026 is unqualified with findings on compliance - a regression from the unqualified opinion with no material findings achieved in 2024/2025. The regression stems from non-compliance identified under liability management, which requires that Fund payments go only to beneficiaries who are legally entitled to them.

The Auditor-General's report carries an emphasis of matter on material losses: cumulative statutory receivables of R40 375 000 (2025: R26 149 000), arising mainly from unauthorised payments together with duplicate payments made to non-beneficiaries. This did not modify the audit opinion. Separately, under compliance with legislation, the Auditor-General found that adequate steps were not taken during the year to prevent R13 485 193 in payments reaching persons not entitled to them, in breach of section 89 of the Administration of Estates Act - the September 2025 incident described in Section 5.

These recurring losses, and the repeat non-compliance with section 89 that underlies them, remain the Fund's most significant control challenge.

Status of the two outstanding material irregularities

Two material irregularities (MIs) remain open, both linked to non-compliance with section 89. Neither has been resolved, and the Auditor-General's follow-up during the 2024/2025 and 2025/2026 audits concluded that appropriate action has not been taken on either. In both cases the Auditor-General has, following a determination issued on 17 March 2026, elected to report the MI in the auditor's report together with recommendations and stipulated implementation dates.

MI 1 - Duplicate payments to beneficiaries in 2021/22 (notified 27 July 2023)

The 2020/21 hacking of Pietermaritzburg's ABSA BIO platform led to a temporary, spreadsheet-based payment process, which in turn produced duplicate payments of R7 235 191 in May 2021. R3 678 220 was recovered by 31 May 2023, leaving R3 556 971 referred to the State Attorney for civil recovery in September 2023. Summons has been issued against only a limited number of recipients, as the remainder are deceased or reside at addresses that cannot be traced. Disciplinary action against the official found negligent was concluded in November 2024. On 5 August 2026 the Auditor-General notified the Accounting Officer of recommendations requiring a root cause analysis, a time-bound action plan addressing the internal control deficiencies and the new system, and continued monitoring of the recovery process, to be implemented by 5 March 2027 with a progress report due by 5 November 2026.

MI 2 - Unauthorised payments to non-beneficiaries (notified 5 September 2023)

R17 782 132.59 was diverted from the Pietermaritzburg account to non-beneficiaries on 6 April 2023, detected through an alert from the bank's fraud division. Preservation orders totalling R8 860 023 were secured on 26 April 2023 with FIC and AFU assistance; forfeiture orders followed on 18 and 24 March 2025 for R100 000 and R8 860 024 respectively, and R4 412 823 was transferred back to the Fund in March 2025 with a further R4 589 713 in April 2025, reducing the likely loss to R8 779 596. The criminal investigation opened with the Directorate for Priority Crime Investigation in 2023 continues, with no evidence to date implicating officials of the Fund. On 4 August 2026 the Auditor-General notified the Accounting Officer of equivalent recommendations, to be implemented by 4 March 2027 with a progress report due by 4 November 2026.

The Auditor-General has further observed that the September 2025 breach described in Section 5 is evidence that the payment environment remains vulnerable, reinforcing the need for a thorough root cause analysis and a fully implemented, appropriately governed control environment - including completion of the new system - to prevent recurrence.

7. Remediation and Corrective Measures

Management accepts that the control environment surrounding beneficiary payments requires decisive improvement, and that previous undertakings have not been implemented at the pace required. The measures below are directed at that outcome.

Immediate measures following the September 2025 incident

Payment processing was suspended while an Emergency Action Plan was developed with internal stakeholders for implementation by ICT and the Master's Offices. Its core elements are:

- Enforcing endpoint protection on all workstations used for payment processing, including real-time and cloud-delivered protection and attack surface reduction rules.
- Segregating payment-processing workstations onto a dedicated, restricted network limited to the banking platform and essential internal servers, with general internet access and removable storage blocked.
- Requiring dual sign-off on every payment file, with two officials checking the payment file against the signed authorisation before upload and logging who did so, when, and from which workstation.
- Generating and verifying a cryptographic hash of each payment file before and after upload, to detect any tampering in transit.
- Tightening user account controls by removing local administrator rights, enforcing password resets, and disabling dormant accounts.

Measures arising from the material irregularities

These build on steps already taken following the two material irregularities: bank profiles were revoked and re-issued with officials reaffirming compliance with ICT security policy; the payment platform was restricted to weekday working hours; a Service Level Agreement with the bank was concluded in November 2024; and disciplinary proceedings against the official found negligent in the 2021/22 duplicate-payment matter were finalised in the same month.

Time-bound commitments

Management has committed to the following dated milestones, which respond directly to the Auditor-General's recommendations:

- Completion of the root cause analysis into the non-compliance with section 89, and approval of an action plan addressing the resulting internal control deficiencies.
- Finalisation of the assessment of the new SAP-based Guardian's Fund System, including verification of the integrity of beneficiary data migrated in the Kimberley pilot, and approval of a revised national rollout plan on the strength of that assessment.
- Continued monitoring and support of the recovery processes for the amounts lost, through litigation and through the AFU and FIC.
- Progress reports to the Auditor-General by 5 November 2026 in respect of MI 1 and 4 November 2026 in respect of MI 2, with full implementation of the recommendations by 5 March 2027 and 4 March 2027 respectively.

Payment model

Management is considering whether beneficiary payment processing should be decentralised back to the Master's Offices, under the strengthened controls described above, rather than remaining centralised at the National Office. The staffing constraints and security vulnerabilities exposed under full centralisation are being weighed against the control rationale that led to

centralisation in 2023, and no decision has yet been taken.

Underlying causes

The pattern across these incidents points to several recurring root causes that management is required to address:

- The Guardian's Fund System is still not integrated with the banking platform, weakening preventative controls over the interim manual process..
- Recommendations from earlier audits, including consequence management and recovery action, have been slow to implement.
- The suspension of the national rollout leaves the Fund reliant on the more vulnerable interim process for longer than intended.

8. Investment Management

Managing the Fund's investments is a significant responsibility given the size of its balance sheet, which grew to R23.146 billion in total assets at 31 March 2026 (2024/2025: R22.274 billion). Financial Management Services, supported by the Office of the Chief Master, oversees the PIC's mandate to ensure the Fund's assets are managed prudently.

Section 87 of the Administration of Estates Act requires that beneficiary monies be invested with the PIC, which acts as agent to the Fund as principal under a formal principal-agent arrangement. The PIC's mandate is to generate returns on these funds within agreed contractual terms, subject to ongoing audit and performance review. Management fees of R6.481 million were withheld by the PIC during the year for these services (2024/2025: R6.133 million).

With effect from 1 April 2025 the Fund adopted GRAP 104 (2019): Financial Instruments. Management assessed the Fund's financial assets against the revised classification criteria and concluded that the PIC-managed portfolio does not meet the amortised cost criteria, and that financial investments are accordingly measured at fair value through surplus or deficit. Cash, cash equivalents and receivables from exchange transactions continue to be measured at amortised cost. The comparative classification for 2024/2025 was corrected to be consistent with the current year.

9. Acknowledgement

I wish to thank all those who contributed to the work of the Guardian's Fund during a demanding year. The fraud incidents reported on above tested the Fund's control environment, and I am grateful for the swift and coordinated response from the Master's Offices, Financial Management Services, the Office of the Chief Master, ICT, Legal Services, and our internal and external audit partners in containing the losses, supporting the investigations, and taking forward the remedial measures set out in this report. Their continued diligence and commitment to protecting the interests of the Fund's beneficiaries remain the foundation on which the Guardian's Fund carries out its mandate, and I look forward to their continued support as we implement the improvements needed to strengthen the Fund going forward.

10. Approval

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and were approved and signed by the Accounting Officer, Ms Kalayvani Pillay, Acting Director-General, Department of Justice and Constitutional Development, on 25 August 2026.

Ms. K Pillay
Acting Director-General: Department of Justice and Constitutional Development
25 August 2026

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 control to mitigate risks and address control deficiencies.

The system of internal control is designed to provide cost-effective assurance that the objectives of the Department are achieved, and the controls are required to operate effectively throughout the year.

The Audit Committee has also taken note of the material irregularities and other findings issued by the Auditor General and will assist the Accounting Officer in ensuring that the corrective measures which the Department has committed are implemented within the agreed timeframes.

The Audit Committee is pleased that the Fund has continued to sustain the positive audit outcomes.

EFFECTIVENESS OF THE INTERNAL AUDIT FUNCTION

The Internal Audit function has provided the Audit Committee and management with independent assurance and advice on the effectiveness of the measures implemented to mitigate risks. The Audit Committee is satisfied that Internal Audit has discharged its responsibilities in accordance with its charter and plans and also informed by the risk assessment process of the Department.

ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Internal Audit function is responsible for providing the Audit Committee with independent assurance on the adequacy, efficiency, economy and effectiveness of the risk management, internal control and governance processes designed and implemented by management, and on whether those processes are functioning effectively to support the achievement of the objectives of the Fund.

EFFECTIVENESS OF RISK MANAGEMENT

The Audit Committee has continued to satisfy itself that the Fund has implemented effective measures to prevent, detect and resolve issues raised.

The Audit Committee has identified the realisation of the objectives of the Fund as matter that needs attention as reported in the past.

ADEQUACY, RELIABILITY, AND ACCURACY OF FINANCIAL AND PERFORMANCE INFORMATION

The Audit Committee has reviewed the Departmental financial and performance information presented by management and the Accounting Officer during the year under review and 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 repeatedly raised its concern that the balance of the Fund has grown significantly since its inception, and that the

achievement of the objectives for which the Fund was established is taking too long. The Audit Committee will continue to monitor the steps taken by management in this regard.

COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

The Audit Committee is satisfied with the general state of compliance with the applicable legal and regulatory provisions 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 in-year management reports and the monthly and quarterly reports submitted by management and the Accounting Officer and is satisfied with the quality thereof.

COMBINED ASSURANCE

The Audit Committee is satisfied with the collaboration and coordination between Internal Audit and other assurance providers, including the Auditor General.

EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

The Audit Committee has reviewed the Annual Financial Statements, the final management letter of the Auditor-General of South Africa, the audit report and the responses of management to the shortcomings identified and is satisfied with the results thereof.

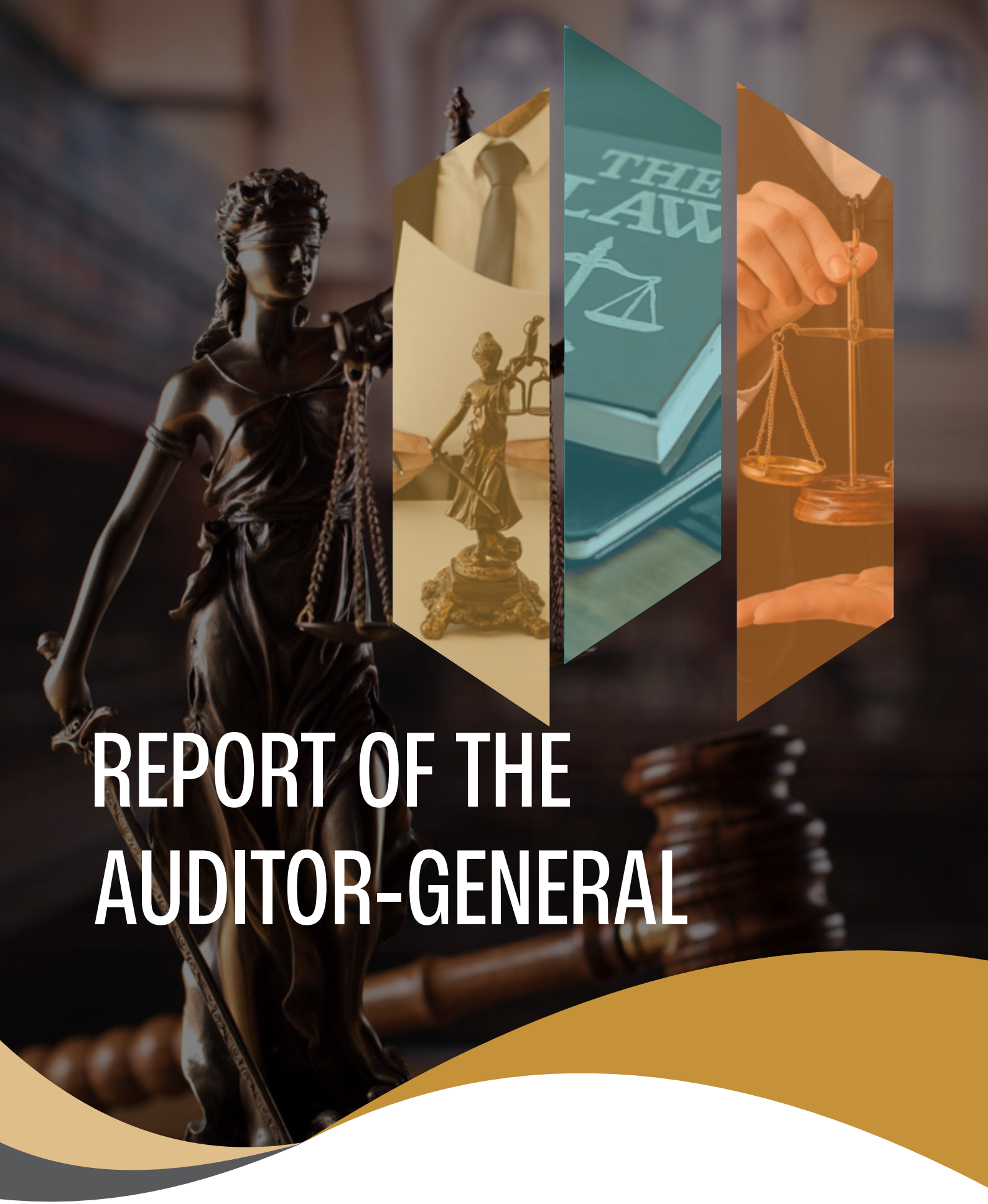
AUDITOR-GENERAL'S REPORT

The Audit Committee appreciates the unqualified audit opinion reported by the Auditor-General and is pleased that the Fund has continued to maintain an unqualified audit opinion for many consecutive years.

CONCLUSION

The Audit Committee expresses its appreciation for the collaboration among all role players, which has continued to support the improvement and sustain the positive audit outcomes.

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



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 Guardian's Fund set out on pages 27 to 51, which comprise the statement of financial position as at 31 March 2026, 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 Guardian's Fund as at 31 March 2026 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) as issued by the Accounting Standards Boards of South Africa and the requirements of the general notice issued in terms of the Public Audit Act of South Africa (Act 25 of 2004).

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 matter – Material losses

6. I draw attention to note 6 in the financial statements, statutory receivables relating to cumulative material losses of R40 375 000 (2025: R26 149 000) was incurred as a result of unauthorised and duplicate payments made to non-beneficiaries with the majority of the losses being due to unauthorised payments.
7. My opinion is not modified in respect of this matter.

Responsibilities of the accounting officer for the financial statements

8. 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.
9. 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

10. 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.
11. 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 page 9, forms part of my auditor's report.

Report on the audit of the annual performance report

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

Report on compliance with legislation

13. 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.
14. 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.
15. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial 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.
16. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Liability management

17. Effective steps were not taken in the current year to prevent payments from the Guardian's Fund amounting to R13 485 193 from being made to persons who are not entitled to receive such funds, in contravention of section 89 of the chapter V of Administration of Estates Act 66 of 1965.

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, 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 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. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.
24. Management did not implement adequate internal controls within the payment process to ensure that payments are made to beneficiaries who are entitled to receive money out of the guardian's fund in line with section 89 of the Administration of Estates Act 66 of 1965 as numerous unauthorised payments were made to non-beneficiaries.

Material irregularities

25. 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

26. 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.
27. 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 remaining loss. These losses have been disclosed in note 6 to the 2023-24 financial statements relating to other statutory receivables.
28. 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 with substantiating documentation from the accounting officer to the material irregularity was received on 24 August 2023. In the response from the accounting officer, it was indicated that the following steps were taken to address the MI:

(i) 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.
(ii) Some recommendations from the internal audits conducted are in the process of being implemented.
(iii) The Department and the bank were finalising the Service Level Agreement (SLA) that will manage the relationship and clarify responsibilities for the two parties when the bank services are consumed.
(iv) The investigation report recommended that disciplinary actions be taken against an official who was found negligent when performing his duties, the disciplinary process is in progress.
(v) A debt collector was appointed in 2022 and civil recovery through the issuing of letters of demand on 31 July 2023 commenced.
(vi) The recovery of the remaining R3 556 971 proceeded with the State Attorney's office taking over the civil recovery efforts.
(vii) The matter was also investigated by the Asset Forfeiture Unit (AFU) and recommendations included that the Directorate Liability and Litigation Management conduct a determination of liability.

29. I made a determination on the appropriateness of the actions taken on 25 October 2023 and concluded that based on the representations made and the substantiating documents provided, that appropriate actions are being taken to address the MI.
30. During the 2024-25 and 2025-26 audits, I followed-up on the progress being made in addressing the material irregularity and based on the responses received between May 2024 and March 2026 respectively on the progress made with the actions to address the material irregularity, I noted that further progress was made in addressing the material irregularity as follows:

(i) Subsequent to the appointment of the debt collector in 2022, the outstanding amount of R3 556 971 to be recovered was referred to the office of the State Attorney in September 2023. 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.
(ii) 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.
(iii) 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.
(iv) In November 2024, the department and the bank concluded a SLA to govern their relationship and clearly define the roles and responsibilities of both parties regarding the use of banking services.
(v) 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 planned to implement the system across all remaining regions by 31 July 2025. However, significant system-related challenges encountered during the pilot phase were identified and communicated by the

audit team in October 2025. In a meeting held with management and the accounting officer in November 2025, the accounting officer confirmed that the planned national rollout was suspended pending the resolution of the identified issues.

31. Based on the assessment of the responses and substantiating documentation provided, I concluded that the accounting officer is not taking appropriate action to address the MI, as all the actions that the accounting officer committed to have not been completed to resolve the material irregularity.
32. I notified the accounting officer on 5 August 2026 of the following recommendations to further address the material irregularity, which should be implemented by 5 March 2027 with a progress report by 5 November 2026:

a) A root cause analysis should be conducted to determine the reasons and circumstances that led to the non-compliance with section 89 of the Administrations of Estates Act for the purpose of taking appropriate corrective actions and enhancing control weaknesses.
b) Appropriate steps should be taken to develop and commence with the implementation of an action plan to address the internal control deficiencies. The action plan should include clear anticipated timelines and, at a minimum, address the following:
   (i) Based on the outcome of the root cause analysis, implement measures to remediate the identified internal control deficiencies.
   (ii) Finalise the assessment of the new Guardian Fund SAP based system.
   (iii) Based on the outcome of the assessment of the system, finalise the revised implementation plan for the rollout of the system.
c) Effective and appropriate steps must be taken to monitor and support the recovery process of the financial loss through the litigation and a progress report to this effect must be provided to the AGSA at the due date for implementation of the recommendations.

33. I will follow up on the implementation of the recommendations at the due date for implementation.

Unauthorised payments made to non-beneficiaries

34. 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. An amount of R8 860 023 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 2023-24 financial statements relating to other statutory receivables.
35. 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 with substantiating documentation from the accounting officer to the material irregularity was received on 3 October 2023. In the response from accounting officer, it was indicated that the following steps were taken to address the MI:
   (i) Following the internal investigation four officials were placed on precautionary suspension, and the department was in the process of taking disciplinary action.
   (ii) A criminal case was opened, and the Financial Intelligence Centre (FIC) was involved.
   (iii) The AFU was requested to assist with securing preservation orders.

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

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

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

(vii) 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.

(viii) 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.

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

(x) A SLA is being drafted with the bank to improve communication channels and to prevent fraudulent transactions to go through.

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

36. During the 2024-25 and 2025-26 audits, I followed-up on the progress being made in addressing the material irregularity and based on the responses received between Feb 2024 and March 2026 respectively on the progress made with the actions to address the material irregularity, I noted that further progress was made in addressing the material irregularity as follows:

(i) The preservation orders were secured on 26 April 2023 with the support of the FIC and the AFU, for an amount of R8 860 023. 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. An amount of R4 412 823 forfeited was transferred to the Guardian's Fund account in March 2025 and R4 589 713 in April 2025. These transfers resulted in the likely loss to be reduced to R8 779 596.

(ii) 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 part of the officials the Guardian's Fund.

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

(iv) 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 planned to implement the system across all remaining regions by 31 July 2025. However, significant system-related challenges encountered during the pilot phase were identified and communicated by the audit team in October 2025. In a meeting held with management and the AO in November 2025, the accounting officer confirmed that the planned national rollout was suspended pending the resolution of the identified system issues.

37. Based on the assessment of the responses and substantiating documentation provided, I concluded that the accounting officer is not taking appropriate action to address the MI, as all the actions that the accounting officer committed to have not been completed to resolve the material irregularity.

38. I notified the accounting officer on 4 August 2026 of the following recommendations, which should be implemented by 4 March 2027 with progress report by 4 November 2026:

a) A root cause analysis should be conducted to determine the reasons and circumstances that led to the non-compliance with section 89 of the Administrations of Estates Act for the purpose of taking appropriate corrective actions and enhancing control weaknesses.

b) Appropriate steps should be taken to develop and commence with the implementation of an action plan to address the internal control deficiencies. The action plan should include clear anticipated timelines and, at a minimum, address the following:

   (i) Finalisation of the assessment of the new Guardian Fund SAP based system.

   (ii) Based on the outcome of the assessment of the system, finalisation of the revised implementation plan for the rollout of the system.

   (iii) Based on the outcome of the root cause analysis and the assessment of the system, implement measures to remediate the identified internal control deficiencies.

39. I will follow up on the implementation of the recommendations at the due date for implementation.

Auditor General

Pretoria
25 August 2026

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

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 the 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
Administration of Estates 66 of 1965	Section 87 and 89

FINANCIAL STATEMENTS

GUARDIAN'S FUND
ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2026

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Statutory Trust
Member	Ms. Kalayvani Pillay (Acting Director-General)
Registered office	Momentum Centre 329 Pretorius Street Pretoria
Postal address	Private Bag x81 Pretoria 0001
Auditors	Auditor-General of South Africa 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 are 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 the 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 she 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 fund 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 it 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 DoJ&CD 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, she is supported by the Audit Committee.

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 pages 13 to 21.

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 25 June 2026 and were signed on its behalf by:

Ms. K Pillay
Acting Director-General: Department of Justice and Constitutional Development

Statement of Financial Position as at 31 March 2026

	Note(s)	2026 R'000	2025 R'000
Assets			
Current Assets			
Cash and cash equivalents	3	832 066	739 260
Receivables from exchange transactions	4	1 157	870
Financial investments at fair value through surplus or deficit	5	22 126 659	21 304 447
Other statutory receivables	6	40 375	26 149
		23 000 257	**22 070 726**
Non-Current Assets			
Financial investments at fair value through surplus or deficit	5	145 906	203 381
Total Assets		**23 146 163**	**22 274 107**
Liabilities			
Current Liabilities			
Unclaimed monies - 30 years	7	10 161	13 974
Provisions	8	2 296 231	2 255 982
		2 306 392	**2 269 956**
Non-Current Liabilities			
Provisions	8	16 839 024	16 543 865
Total Liabilities		**19 145 416**	**18 813 821**
Net Assets		**4 000 747**	**3 460 286**
Accumulated surplus		4 000 747	3 460 286
Total Net Assets		**4 000 747**	**3 460 286**

Statement of Financial Performance

	Note(s)	2026 R'000	2025 R'000
Revenue			
Revenue from exchange transactions			
Interest received	9	1 742 382	1 879 067
Expenditure			
Management fees	10	(6 481)	(6 133)
Interest accrued to beneficiaries	11	(1 195 440)	(1 299 055)
Total expenditure		**(1 201 921)**	**(1 305 188)**
Gain on fair value adjustment	17	-	25 504
Surplus for the year		**540 461**	**599 383**

Statement of Changes in Net Assets

	Note(s)	Accumulated surplus R'000	Total net assets R'000
Balance at 01 April 2024		**2 860 902**	**2 860 902**
Changes in net assets			
Surplus for the year		599 383	599 383
Total changes		599 383	599 383
Balance at 01 April 2025		**3 460 286**	**3 460 286**
Changes in net assets			
Surplus for the year		540 461	540 461
Total changes		540 461	540 461
Balance at 31 March 2026		**4 000 747**	**4 000 747**

Cash Flow Statement

	Note(s)	2026 R'000	2025 R'000
Cash flows from operating activities			
Receipts			
Beneficiary Liabilities deposits		1 710 881	1 792 605
Interest received		11 975	19 212
		1 722 856	**1 811 817**
Payments			
Repayment to beneficiary liabilities (capital)		(1 710 521)	(1 246 297)
Repayment to beneficiary liabilities (interest)		(888 562)	(759 061)
Movement in Unclaimed monies - 30 years		(12 338)	(13 010)
Net losses (Statutory Receivables)		17 993	298
		(2 593 428)	(2 018 070)
Net cash flows from operating activities	**16**	**(870 572)**	**(206 253)**
Cash flows from investing activities			
PIC Interest received		1 730 120	1 859 990
Purchase of financial assets		(766 742)	(1 506 610)
Net cash flows from investing activities		**963 378**	**353 380**
Net increase/(decrease) in cash and cash equivalents		**92 806**	**147 127**
Cash and cash equivalents at the beginning of the year		739 260	592 133
Cash and cash equivalents at the end of the year	**3**	**832 066**	**739 260**

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 Generally Recognised Accounting Practice (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.

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 fund 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. 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

Significant Accounting Policies

obligation at the reporting date. Although the exact timing of the 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. In determining the best estimate, management takes into account the interest rate approved annually by the Minister of Finance, as this rate has a direct impact on the valuation of beneficiary liabilities. The approved interest rate decreased from 8.4% in the 2024/25 financial year to 7.6% in the 2025/26 financial year, and this change has been considered in measuring the provision at the reporting date.

Provisions are reviewed annually and adjusted to reflect the current best estimate. The provision is derecognised once the beneficiary's 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 related standard of GRAP was revised and became effective from 1 April 2025 – See Note 2 – Change in accounting policy for additional details of considerations on transition and the change in treatment of financial investments at fair value.

Initial Recognition
The fund recognises a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

The fund recognises financial assets using trade date accounting.

Classification and subsequent measurement

Financial assets
The fund has the following types of financial assets (classes and categories) as reflected on the face of the statement of financial position:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transaction	Financial asset measured at amortised cost
Financial investments	Financial asset measured at fair value through surplus or deficit

For Cash and cash equivalents and Receivables from exchange transactions:

(a) these financial assets are held with the objective of collecting contractual cash flows; and
(b) the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial investments comprise funds placed with the Public Investment Corporation (PIC) under an investment mandate that requires the PIC to manage the portfolio with the objective of maximising investment returns for the benefit of beneficiaries, and whose performance is monitored and evaluated on a fair value and total return basis. As the portfolio is not held within a management model whose objective is to collect contractual cash flows, and the contractual

Significant Accounting Policies

terms do not give rise solely to payments of principal and interest, the criteria in GRAP 104 paragraph 4.2 for measurement at amortised cost are not met. Financial investments are therefore measured at fair value through surplus or deficit. Transaction costs on initial recognition are expensed to surplus or deficit. Subsequent fair value gains and losses are recognised in surplus or deficit in the period in which they arise

Subsequent measurement
Subsequent to initial recognition, financial investments continue to be measured at fair value through surplus or deficit, with fair value gains and losses recognised in surplus or deficit in the period in which they arise. Cash and cash equivalents and receivables from exchange transactions continue to be measured at amortised cost using the effective interest method. No change to the subsequent measurement basis of any class of financial asset arose on transition to the revised Standard.

Classification of Financial Liabilities
The fund's liabilities typically arise from court orders rather than contractual obligations and, therefore, are not financial liabilities.

Initial measurement
At initial recognition, the fund measures financial assets subsequently measured at amortised cost at their fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. For all financial assets subsequently measured at fair value, the fund initially measures these at their fair value, and transaction costs that are directly attributable to the acquisition or issue of these instruments are recognised in surplus or deficit.

Recognition of expected credit losses

General approach
The fund applies the general approach and recognises a loss allowance for expected credit losses on its financial assets.

At each reporting date, the fund assesses whether a financial asset is 'credit impaired', i.e. when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset.

If the financial instrument has become credit-impaired, the fund measures the loss allowance for these financial instruments at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the credit risk has not increased significantly since initial recognition, the amount recognised is the 12-month expected credit losses.

As the bank accounts do not have defined contractual terms, and other financial instruments held are generally held for less than 12 months and may be terminated on demand, their lifetimes are, effectively, less than 12 months, and shall be referred to as lifetime ECL if they become credit impaired.

At each reporting date, the fund recognises an impairment gain or loss in surplus or deficit for the amount required to adjust the loss allowance to its required balance. This gain or loss is measured as the difference between the existing loss allowance balance and the amount determined at the reporting date in accordance with the expected credit loss model.

Significant Accounting Policies

Credit risk

The fund assesses whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date with the risk of a default at the date of initial recognition. This assessment is based on all reasonable and supportable information that is available without undue cost or effort. This includes both qualitative and quantitative information and analysis, based on the fund's historical loss experience and informed credit assessment, which includes forward-looking information.

As the financial assets are accounts at financial institutions, the rebuttable assumptions in the standard (defaults occur between 30 and 90 days past due) are not applicable; instead, key indicators of increased credit risk would include announcements of significant financial difficulty, particularly accompanied by downgrading by rating agencies. Should the institution not be able to provide funds on demand (subject to standard transaction times), this would be an indicator of significant credit risk. Should an institution's credit rating drop significantly, particularly below an A rating, this would trigger a significant increase in risk, and such instruments would then be considered credit-impaired financial assets. Typically, the fund would withdraw monies held with the institution at these rating levels.

The fund measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Some financial instruments include both a loan and an undrawn commitment component and the fund's contractual ability to demand repayment and cancel the undrawn commitment does not limit the fund's exposure to credit losses to the contractual notice period. For such financial instruments, the fund measures expected credit losses over the period that the fund is exposed to credit risk and expected credit losses would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

Modified financial assets

If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, the fund assesses whether there has been a significant increase in the credit risk of the financial instrument by comparing:

(a) the risk of a default occurring at the reporting date (based on the modified contractual terms); and
(b) the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

Write-off

The gross carrying amount of the instrument is written off when the fund has no reasonable expectations of recovering a financial asset in its entirety or a proportion thereof.

Upon write-off, the fund shall directly reduce the gross carrying amount with the approved amount for the write-off, the loss allowance is reduced by the portion previously recognised for that specific asset, and any remaining difference between the gross carrying amount written off and the reduction in the loss allowance is recognised immediately in surplus or deficit.

As the fund only holds Cash and cash equivalents at amortised cost, these would only be written off

Significant Accounting Policies

in extraordinary circumstances where the counterparty was unable to repay the balance in full on demand for a prolonged period and based on the probability of that being the case for the foreseeable future (and subject to legal opinion). Any amounts previously written off and recovered are recognised in surplus or deficit.

The amounts written off would still be subject to enforcement activities in order to comply with the fund's procedures for recovery of amounts due.

Derecognition of financial assets
The fund derecognises a financial asset only when:

(a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
(b) the fund transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
(c) the fund, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the fund:
    (i) derecognises the asset; and
    (ii) recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised in accordance with this paragraph is recognised in surplus or deficit in the period of the transfer.

Derecognition of financial liabilities
The fund held no financial liabilities during the current or comparative 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.

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 Public Investment Corporation (PIC) to invest surplus funds on its behalf. This arrangement is classified as a principal-agent relationship in terms of GRAP 109, where:

Significant Accounting Policies

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 the 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.

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 Public Investment Corporation (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 (GFS). 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. 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:

Significant Accounting Policies

Key management personnel, being individuals responsible for planning, directing and controlling the activities of the fund. These include members of the Executive Committee (EXCO), 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.

DoJ&CD 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 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 has 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.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of GRAP 104 Financial Instruments (2019).

Nature of change

During the current reporting period, the fund applied GRAP 104 (2019) for the first time. The revised Standard introduces, inter alia:

- A new classification model for financial assets and financial liabilities, based on the fund's management model for managing financial assets and on the characteristics of the contractual cash flows (SPPI condition).
- A new expected credit loss (ECL) model for the impairment of financial assets measured at amortised cost, certain loan commitments, financial guarantee contracts and lease receivables.

The revised Standard became effective for the fund on 1 April 2025.

Transitional provisions

The revised Standard allowed for retrospective restatement of balances, or restatement of opening balances in the prior year.

Significant Accounting Policies

The fund elected to apply the effects of the Standard retrospectively in order to improve comparability. The effects of the restatement are set out below.

Classification and measurement
On transition, management assessed the fund's financial assets against the revised classification criteria in GRAP 104. Cash and cash equivalents and Receivables from exchange transactions continue to be measured at amortised cost, as they are held within a management model whose objective is to collect contractual cash flows that are solely payments of principal and interest. Financial investments managed by the PIC do not meet this test, given the mandate to maximise total investment return and the fair value basis on which the portfolio is monitored and evaluated, and continue to be measured at fair value through surplus or deficit, consistent with their measurement immediately prior to the effective date of the revised Standard. No restatement of the carrying amount of financial investments was required on transition, as their fair value approximated amortised cost in all material respects at the date of initial application.

Instrument	Classification	Measurement	Value at 31 March 2025
Cash and cash equivalents	Bank Balances - ABSA + PIC Trading account	Amortised cost	739 260
Receivables from exchange transactions	Accrued interest from commercial bank	Amortised cost	870
Other financial assets (current)	PIC-managed money market portfolio	Fair value through surplus or deficit	21 304 447
Other financial assets (non-current)	PIC-managed money market portfolio	Fair value through surplus or deficit	203 381
Total financial assets			**22 247 958**

Cash and cash equivalents were unchanged, as were Receivables from exchange transactions. The money market accounts were renamed "Other financial assets", and the measurement basis changed from Fair value to Amortised cost; this was considered to better reflect the business model of these instruments (being held to collect cash flows that comprise primarily interest and principal). Due to the nature of the investments, their previously reported fair values reflected their amortised cost in all material respects and, therefore, these values were not altered.

Financial assets

Note	Instrument	Classification	Value at 31 March 2025
Cash and cash equivalents	Bank Balances - ABSA + PIC Trading account	Amortised cost	739 260
Receivables from exchange transactions	Accrued interest from commercial bank	Amortised cost	870
Other financial assets (current)	Money market accounts	Fair value through surplus or deficit	21 304 447
Other financial assets (non-current)	Money market accounts	Fair value through surplus or deficit	203 381
Total financial assets			**22 247 958**

Notes to the Annual Financial Statements

Impairment – Expected credit losses (ECL)
The revised standard requires an assessment of Expected Credit Losses for financial assets carried at amortised cost; this is a forward-looking estimate of potential losses as opposed to the previous Incurred Loss model, which considered objective evidence of loss events that had already occurred.

The fund had not raised a loss on its financial assets at amortised cost as the credit ratings of the related entities have been consistently strong. Similarly, in the current year, the credit rates of these entities at year end indicate low credit risk (the credit rates at year end include the rating agencies' expectations about future developments).

Therefore, no change was required in terms of impairment.

2.2 Standards and interpretations issued but not yet effective

Standard / Interpretation	Effective Date:	Expected impact
GRAP 107 (as revised) Mergers	01 April 2099	Unlikely there will be a material impact
GRAP 106 (as revised) Transfer of Functions Between Entities Not Under Common Control	01 April 2099	Unlikely there will be a material impact

	2026 R'000	2025 R'000
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances - ABSA	214 682	168 967
Trading Account - PIC	617 384	570 293
	832 066	**739 260**

	2026 R'000	2025 R'000
4. Receivables from exchange transactions		
Accrued interest from commercial bank	1 157	870

Notes to the Annual Financial Statements

	2026 R'000	2025 R'000
5. Financial investments at fair value		
At fair value		
Other financial assets	22 272 565	21 507 828
Non-current assets		
At fair value	145 906	203 381
Current assets		
At fair value	22 126 659	21 304 447
Reconciliation of financial investments at fair value:		
Opening balance	21 507 828	20 431 759
Add back: Trading cash	570 292	-
Add back: Realised loss on disposal of financial assets	188	-
Investment income received during financial year	1 732 125	1 859 990
Additions in income during the year	50 000	152 000
Disposal in income during the year	(962 000)	(385 000)
Management Fees	(6 480)	(6 133)
Gain/(loss) on fair value adjustment	-	25 606
Realised loss on disposal of financial assets	(2 004)	(102)
Less Trading cash	(617 384)	(570 292)
	22 272 565	**21 507 828**

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	40 375	26 149

Statutory receivables represent amounts of losses incurred by the Guardian's Fundbecause of fraud and overpayments to beneficiaries. In accordance with Chief Master'sCircular Directive 6 of 2014, the Department of Justice and Constitutional Development(DoJ&CD) is obligated to compensate the Guardian's Fund where recovery from theresponsible party is unsuccessful. This ensures that the rights and interests ofbeneficiaries are not prejudiced by such losses. The amounts above arerecoverable from DoJ&CD as per the above directive. Whilst DoJ&CD is obliged torefund the Guardian's Fund the losses incurred, the department continues pursuing thedebtors by exhausting all recovery steps and only considers writing off these debtswhere all recovery efforts were unsuccessful. The amounts above are the bestestimates of the receivables due to fraud and losses incurred.

Current assets	40 375	26 149

Notes to the Annual Financial Statements

	2026 R'000	2025 R'000
7. Unclaimed monies 30 years		
Opening Balance as at 1 April	**13 974**	**8 248**
Less: Unclaimed monies 30 years paid	(7 936)	(6 878)
	6 038	1 370
Less: Transfer to provisions	(6 037)	(1 370)
Add: New unclaimed monies 30 years	10 161	13 974
	10 162	**13 974**

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. The obligations are expected to be settled only if valid claims are made within the 30-year statutory period, whereafter the amounts are transferred to the National Revenue Fund, and no further liability exists on the part of the Guardian's Fund.

	Opening Balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Total R'000
8. Provisions					
Reconciliation of provisions - 2026					
Beneficiary liabilities	18 799 847	2 918 828	(2 586 758)	3 338	19 135 255
Reconciliation of provisions - 2025					
Beneficiary liabilities	17 719 985	3 099 136	(2 005 359)	(13 915)	18 799 847

Non-current liabilities	16 839 024	16 543 865
Current liabilities	2 296 231	2 255 982
	19 135 255	**18 799 847**

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.

Notes to the Annual Financial Statements

	2026 R'000	2025 R'000
9. Interest income		
Interest income	1 742 382	1 879 067
The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received from commercial bank	12 262	19 077
Interest received – PIC	1 730 120	1 859 990
	1 742 382	**1 879 067**

	2026 R'000	2025 R'000
10. Management Fees		
Management Fees	6 481	6 133

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

	2026 R'000	2025 R'000
11. Interest accrued to beneficiaries		
Beneficiaries	1 195 440	1 299 055

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 7.6% (2024/25 – 8.4%) was applied to calculate the effective interest accrued.

Notes to the Annual Financial Statements

12. 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 (JAF), Special Investigation Unit, Legal Aid South Africa, Office of the Chief Justice, South African Human Rights Commission and 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. The expenses are recorded in the Annual Financial Statements of the department.

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.

Outstanding balances:
Statutory receivables from DoJ&CD: R40.3 million (2024/25 R26.1 million)

Remuneration of management
Remuneration of management class:

Notes to the Annual Financial Statements

12. Related parties (continued)

Executive management

2026

Name
Director-General – Adv Doc Mashabane (until Aug 2025)
Acting Director-General – Kalayvani Pillay (Sept 2025–March 2026)
Acting Chief Master – Kalayvani Pillay (Apr 2025–Mar 2026)
Chief Financial Officer – Rofhiwa Irene Singo
Chief Director: Third Party Funds – Bheki Mathunjwa
Master Grahamstown – Euphemia Daniels
Master Cape Town – Zureena Agulhas
Master Pietermaritzburg – Letshego Moatlhodi
Acting Master Bloemfontein – Buti Mohapi (Apr 2025–Mar 2026)
Master Kimberley – Vanessa Mathiba from May 2025
Director: Guardians Fund – Maletsatsi Marake
Acting Master Pretoria – Nthabiseng Ntsoane (Apr 2025–Mar 2026)
Acting Master Kimberley – Wayne Van Rensberg (Apr 2025–May 2025)

2025

Name
Director-General – Adv Doc Mashabane
Acting Chief Master – Kanyane Mathibe (Apr 2024–Mar 2025)
Chief Financial Officer – Rofhiwa Irene Singo
Chief Director: Third Party Funds – Bheki Mathunjwa
Acting Master Pretoria – Nthabiseng Ntsoane (Apr 2024–Mar 2025)
Master Grahamstown – Euphemia Daniels
Masters Cape Town – Zureena Agulhas
Acting Master Bloemfontein – Buti Mohapi (Apr 2024–Mar 2025)
Acting Master Kimberley – Wayne Van Rensberg (Apr 2024–Mar 2025)
Master Pietermaritzburg – Letshego Moatlhodi
Director: Guardians Fund – Maletsatsi Marake

13. 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. Trading cash – PIC is an extension of this, as the PIC has an excellent credit rating.

Notes to the Annual Financial Statements

13. Risk management (continued)

	Rand Asset Value	Percentage
31 March 2026		
ABSA CORPORATE BANK	4 893 937 370	21%
NEDCOR CORPORATE BANK	4 887 982 986	21%
STANDARD BANK	4 509 339 283	20%
INVESTEC BANK LTD	3 573 422 630	16%
FIRST RAND LIMITED	4 879 361 473	21%
LAND BANK	145 905 875	1%
	22 889 949 617	**100%**
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%**

Liquidity risk
Liquidity risk is the risk that the fund will not be able to meet its financial obligations as they become 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. the 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 undetermined until such time as a claim is lodged.

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 Public Investment Corporation (PIC), with consideration for liquidity and capital preservation.

Notes to the Annual Financial Statements

13. Risk management (continued)

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.

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.
The financial assets above are subject to credit risk and concentration.

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. In addition, the investments have relatively short contract terms, allowing for a more agile response to changing credit ratings. The table under Concentration risk above sets out the extent to which the investments are held with various institutions.

Financial assets exposed to credit risk at year end were as follows:

Description	Amortised cost	Fair value through surplus/deficit	Total
Classes of financial assets 2026			**R'000**
Cash and Cash Equivalents	832 066	-	832 066
Receivables from exchange transactions	1 157	-	1 157
Other financial assets	-	22 272 565	22 272 565
	833 223	**22 272 565**	**23 105 788**
Classes of financial assets 2025			
Cash and Cash Equivalents	739 259	-	739 259
Receivables from exchange transactions	870	-	870
Other financial assets	-	21 507 827	21 507 825
	740 129	**21 507 827**	**22 247 956**

No financial assets are pledged as collateral and no collateral or credit enhancements are in place for these.

Nature and extent of risks arising from financial instruments
The fund has compiled detailed parameters for its investments in order to manage risk; in terms of the money market investments, these parameters are stipulated in the mandate to PIC, which oversees their implementation.

Cash and cash equivalents and receivables from exchange transactions (being interest receivable) are held at ABSA bank, which had a credit rating of AA+ at year end.

Notes to the Annual Financial Statements

13. Risk management (continued)

Interest risk

Interest rate risk
This risk is the potential financial loss as a result of adverse movements in interest rates that affect the value of interest-bearing financial assets. As a PIC client, the Guardian's Fund has exposure to interest rate risk through investments in money market instruments to the sum of R22 billion (2025: R21.508 billion), and through the PIC trading account (cash and cash equivalents) of R617.384 million (2025: R570.293 million). The interest rate sensitivity analysis below has accordingly been extended to include the PIC trading account balance, giving total interest rate-sensitive exposure of R22.744 billion at 31 March 2026 (2025: R22.078 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 GF'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 variables 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 of the fund's activities. Operational risk is managed within acceptable levels through an appropriate level of management focus and resource allocation.

The key operational risks to which the fund is specifically exposed include:

- Fraud and identity theft, including the fraudulent impersonation of beneficiaries or their representatives in order to lodge claims against the fund;
- Duplicate or erroneous beneficiary payments arising from manual processing and reconciliation activities, particularly at regional office level;
- Prior losses identified and recorded through the fund's fraud and loss register, including the PMB matter, which resulted in a statutory receivable being raised against the department in terms of Chief Master's Circular Directive 6 of 2014 (refer to Note 6).

Notes to the Annual Financial Statements

13. Risk management (continued)

Mitigating controls:

- Segregation of duties and dual authorisation over the payment batch process;
- Beneficiary identity verification and validation procedures prior to disbursement;
- Monthly reconciliation of beneficiary payments against the provisions schedule and bank statements across all six regional offices;
- Maintenance of a fraud and loss register to record, investigate and track recovery of identified losses, with unrecovered amounts raised as statutory receivables from the department in accordance with Chief Master's Circular Directive 6 of 2014;
- Ongoing system and process improvements arising from internal control reviews and audit findings.

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, and now includes the PIC trading account balance in addition to the financial investments balance disclosed in Note 5.

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 rate represents the base – as disclosed in the audited financial statements.

The sensitivity analysis below shows that even with a 2% change (both ways) in the interest rate, the Guardian's Fund would have earned sufficient investment interest income to cover the interest paid to fund beneficiaries at the gazetted rate of interest. (Base figures are as follows: interest received – R1.712 billion and interest paid – R2.059 billion).

Spread in basis points	Profit/Loss	Change	Market Value
	R'000	%	R'000
-150	144 068	65	22 270 727
-100	95 774	43	22 222 433
-50	47 752	22	22 174 411
0	**-**	**-**	**22 126 659**
50	(47 485)	(21)	22 079 173
100	(94 705)	(43)	22 031 953
150	(70 922)	(32)	22 055 736

Notes to the Annual Financial Statements

14. Events after the reporting date

There were no events after the reporting date identified.

15. Going concern

We draw attention to the fact that at 31 March 2026, the fund had an accumulated surplus of R4 000 747 and that the fund's total assets exceed its liabilities by R4 000 747.

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 is identified and that person(s)/fund is 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 the 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 client's concentration risk.

The GF is mandated in terms of the Administration of Estates Act, 1965 (Act 66 of 1965) and will operate 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 that may occur in the ordinary course of its operations will take place.

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

Notes to the Annual Financial Statements

15. Going concern (continued)

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

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.

	2026 R'000	2025 R'000
16. Cash generated from operations		
Surplus	540 461	599 383
Adjustments for:		
Interest income - PIC	(1 730 120)	(1 859 990)
Movements in provisions	325 568	1 085 989
Add: Management fees	(6 481)	(6 132)
Less: Gain/(loss) on Fair value adjustment	-	(25 503)
	(870 572)	**(206 253)**

	2026 R'000	2025 R'000
17. Fair value adjustments		
Financial investment (Gain on fair value)	-	25 504

18. Service in kind

The fund receives services in kind from the DoJ&CD for the administration and reporting of transactions.

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

- Office accommodation;
- Office equipment provided;
- Development and maintenance of the GF SAP system; and
- Personnel and operational expenditure related to the administration of the fund. These expenses are recorded in the Annual Financial Statements of the department.

Notes to the Annual Financial Statements

18. Service in kind (continued)

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 the services received.

19. Accounting by principals and agents

The GF is a party to a principal-agent arrangement.

Details of the arrangement 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 Public Investment Corporation (PIC).

A principal-agent arrangement exists between the GF and the PIC related to the management of the 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
Establishing 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 in the Risk Management note.

GF as principal

Summary of transactions

The financial investment has not been recognised by PIC in its financial statements.

Description	2026 R'000	2025 R'000
Other financial assets (current)	22 126 659	21 304 447
Other financial assets (non-current)	145 906	203 381
Interest received – investment	1 730 120	1 859 990
Management fee	(6 481)	(6 133)
Trading cash	617 384	570 293

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