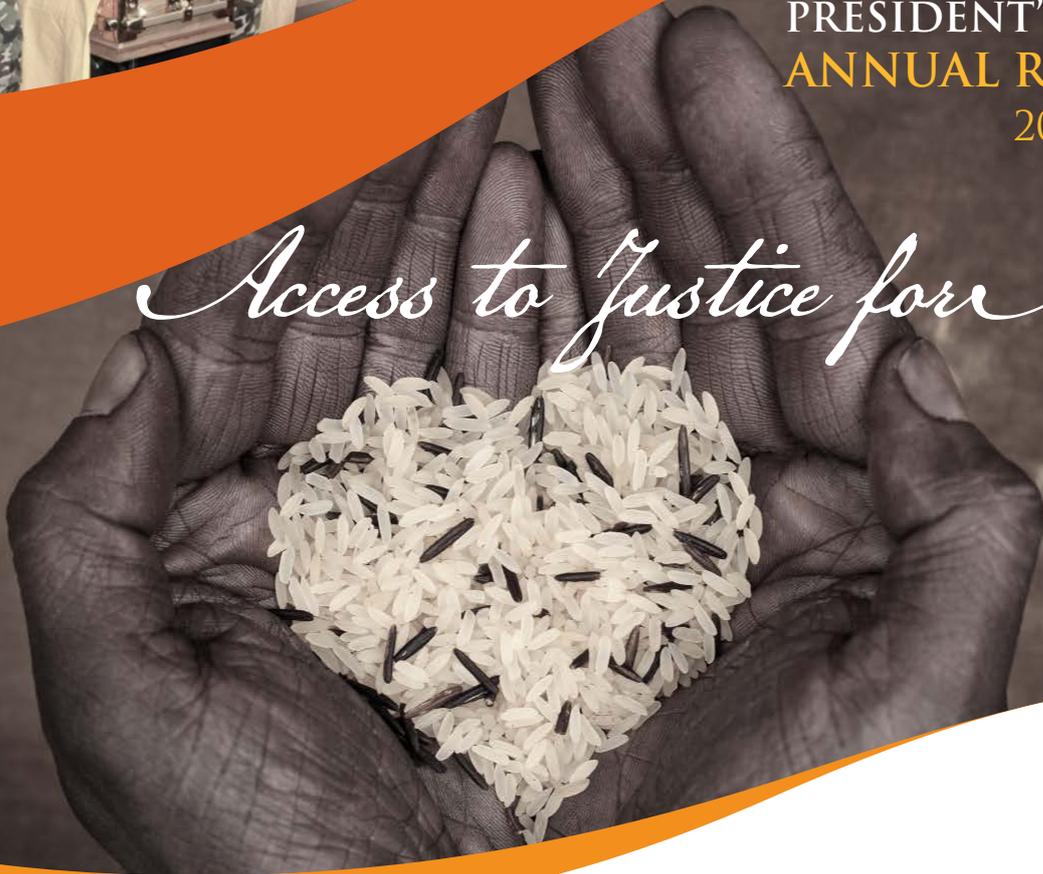


THE DEPARTMENT OF JUSTICE AND  
CONSTITUTIONAL DEVELOPMENT



PRESIDENT'S FUND  
ANNUAL REPORT  
2013-2014

*Access to Justice for All*



**the doj & cd**

Department:  
Justice and Constitutional Development  
REPUBLIC OF SOUTH AFRICA





DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT  
**PRESIDENT'S FUND ANNUAL REPORT**  
FINANCIAL YEAR 2013/14

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# GENERAL INFORMATION

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*Report of the  
Accounting Officer*

# REPORT OF THE ACCOUNTING OFFICER ON THE ANNUAL FINANCIAL STATEMENTS OF THE PRESIDENT'S FUND FOR THE YEAR ENDED 31 MARCH 2014

## 1. GENERAL REVIEW

The President's Fund was established in terms of section 42 of the Promotion of National Unity and Reconciliation Act, (Act No. 34 of 1995).

Parliament approved the following reparation measures to victims on the recommendation of the State President and the subsequent consideration and recommendation of the ad hoc Joint Committee on Reparations of both Houses of Parliament on the tabling of the final two volumes of the Truth and Reconciliation Commission (TRC) Reports:

- A once-off individual grant of R30 000 to those individuals or survivors identified by the TRC.
- Systematic programmes to project the symbolism of the struggle and the ideal of freedom through academic and formal records of history, cultural and art forms, as well as erecting symbols and monuments that exalt the freedom struggle, including new geographic and place names.
- Medical and other forms of social assistance programmes to provide for medical benefits, education assistance and the provision of housing, as well as other social benefits to address the needs of victims identified by the TRC.
- The rehabilitation of whole communities, other than individuals linked to the process, which suffered intense acts of violence and destruction and are still in distress; therefore, the need for such communities to be rehabilitated through various programmes initiated and supported by Government.

Subsection 42(2) of the aforementioned Act states that 'there shall be paid from the fund all amounts payable to victims by way of reparation in terms of regulations made by the President'.

### **Once-off individual grant:**

To give effect to the payment of the once-off individual grant of R30 000, regulations were promulgated and gazetted on 12 November 2003.

This aspect of the reparation measure has been completed, except for thirteen beneficiaries who could not be traced and of which nine are declared to

be residing abroad. The erstwhile Minister of Justice and Constitutional Development has approved that the thirteen outstanding beneficiaries be deemed untraceable and the necessary funds in this respect be set aside in the Fund, should the beneficiaries come forward to claim their reparation grants.

### **Symbols and monuments:**

This aspect of the reparation measure is being implemented under the auspices of the Department of Arts and Culture and is continuing throughout the Republic, many of which are in line with TRC recommendations.

No funds have been utilised from the President's Fund to date regarding this aspect of the reparation measure.

### **Medical and other forms of social assistance:**

Regulations providing for assistance to families of missing persons, whose remains were exhumed and reburied, were promulgated and gazetted on 07 May 2010. As at the date of this report, 63 families who applied for contributions towards re-burial expenses in terms of the Regulations were assisted and paid a total amount of R1 045 500 in this regard. Amendments to the Regulations are being considered to extend the nature of services being provided.

With regard to the draft Regulations on Basic and Higher Education, it can be reported that these Regulations are under consideration by the President.

Draft Regulations in respect of medical benefits for victims and their relatives and dependants are being revised to accommodate the suggestions made by the Minister of Finance. The revised Regulations will provide for assistance in respect of health services that cannot be supplied by public health establishments. The Department of Health is looking at possible amendments to the National Health Act, 2003 to provide for free health services to victims and their relatives and dependants by public health establishments.

In pursuance of the remarks by the Provincial Human Settlement Departments on the draft Regulations relating to housing assistance, a needs analysis is being conducted as recommended in order to obtain a clear picture of the housing requirements of the victims and their dependants. The needs analysis is conducted

in conjunction with the departments of Human Settlements and Military Veterans. Information regarding the identified TRC victims in need of housing assistance including repairs or renovations to existing infrastructure is being compiled. The necessary information has been captured and is in the process of being submitted to the aforementioned departments to be checked against their databases. This exercise is expected to be completed by the end of July 2014 and submitted to the relevant departments. Thereafter further attention will be given to the draft Regulations.

**Rehabilitation of communities:**

Following the finalisation of the approach planning by the Independent Development Trust (IDT) and the approval of the methodology to be followed by the IDT in identifying communities that are to be engaged in determining their needs, a Community Mobilisation Plan was finalised which is serving as the basis for the engagement of communities. Accordingly, a needs analysis has been conducted in Alexandra and Mamelodi (Gauteng) as well as Bambayi and Mpophomeni (KwaZulu-Natal).

Programmes aimed at community rehabilitation could include the repair/renovation or provisioning of health clinics, recreation centres, community conflict resolution centres, school buildings, school equipment, ablution facilities as well as electricity and water supply. Draft Regulations relating to community rehabilitation were published in November 2013 for public comments with 31 January 2014 as the due date for comments. The comments received have been evaluated and further options are being explored to address some of the concerns raised.

**2. CORPORATE GOVERNANCE ARRANGEMENTS**

The administration costs for the Fund are paid by the Department of Justice and Constitutional Development as a related party, and the Fund uses the Department's risk management approach, fraud prevention policy, effectiveness of internal audit and Audit Committee services. It also utilises the governance structures, systems and management processes of the related party.

**3. OTHER**

We shall continue to utilise the funds available in the President's Fund, as well as any further contributions, for the purposes for which the Fund was established in terms of the founding legislation and by direction of regulations assented to by the State President.

**4. APPRECIATION**

My appreciation and thanks are accorded to the related departments, agencies and stakeholders who are assisting in attaining the reparation goals of the President's Fund.



Ms Nonkululeko Sindane  
Accounting Officer: President's Fund  
Date: 31 July 2014



13 | 14 HIGHLIGHT

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*years of actively acknowledging our past  
and finding a way forward.*

**RECONCILIATION. REPATRIATION. REBUILDING.**



*Report of the  
Audit Committee*

# REPORT OF THE AUDIT COMMITTEE ON PRESIDENT'S FUND

## 1. REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2014.

### 1.1 AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee consists of the members listed below and is required to meet at least four times per annum as per its approved terms of reference. During the year six meetings and two special meetings were held and one member retired as indicated below.

| NAME OF MEMBERS                  | NUMBER OF MEETINGS ATTENDED | NUMBER OF SPECIAL MEETINGS ATTENDED | STATUS   |
|----------------------------------|-----------------------------|-------------------------------------|--|
| Mr Motsamai Karedi (Chairperson) | 5                           | 2                                   | Reappointed - 23 January 2013                              |
| Mr Cedric Boltman                | 5                           | 2                                   | Reappointed - 23 January 2013                              |
| Ms Besky Ngunjiri                | 5                           | 1                                   | Appointed - 28 February 2012                               |
| Ms Keneilwe Moloko               | 1                           | 0                                   | Appointed - 28 February 2012<br>Resigned - 28 January 2013 |
| Mr Wilson Ramabulana             | 5                           | 2                                   | Reappointed - 09 January 2013                              |
| Ms Livhuwani Vuma                | 6                           | 2                                   | Appointed - 28 February 2012                               |
| Mr Andy Sello                    | 6                           | 2                                   | Appointed - 09 January 2013                                |

### 1.2 AUDIT COMMITTEE RESPONSIBILITY

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirement of section 38(1(a) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) and Treasury Regulation 3.1.

We have also discharged our responsibilities in terms of the Audit Committee charter.

### 1.3 THE EFFECTIVENESS OF INTERNAL CONTROL

The Audit Committee is satisfied that key controls remained in place throughout the year under review and where shortcomings were identified, management demonstrated commitment in addressing them through implementation of audit action plans.

The audit action plans were continuously followed up by Internal Audit and periodically reviewed by the Audit Committee.

The Audit Committee has raised concerns about the delay in the disbursement of funds held as these have been accumulating over the years.

### 1.4 INTERNAL AUDIT

The Department of Justice and Constitutional Development's Internal Audit Unit is also responsible for the auditing of the President's Fund.

The Internal Audit unit has discharged its responsibilities as per the internal audit plan.

### **1.5 AUDITOR-GENERAL SOUTH AFRICA**

We have noted the Auditor-General South Africa's audit and management reports and also concur and accept the contents thereof.

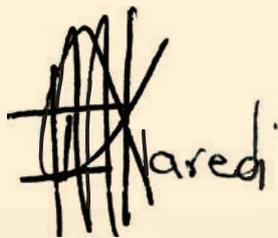
### **1.6 REPORTS**

#### **1.6.1 The quality of in-year management and monthly/quarterly reports submitted in terms of the PFMA**

We are satisfied with the content and quality of monthly and quarterly reports prepared by the Accounting Officer of the Department during the year under review.

#### **1.6.2 Evaluation of financial statements**

We have reviewed and discussed the unaudited annual financial statements with the management and also reviewed the Department's compliance with legal and regulatory provisions. We are satisfied that management has addressed all matters that were identified.



---

Mr M Karedi  
Chairperson of the Audit Committee  
Date: 30 July 2014



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*families who applied for contributions towards re-burial expenses in terms of the Regulations were assisted and paid a total amount of R1 045 500 in this regard.*



*Report of the  
Auditor-General to Parliament*

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE PRESIDENT'S FUND REPORT ON THE FINANCIAL STATEMENTS

## INTRODUCTION

1. I have audited the financial statements of the President's Fund set out on pages 17 to 28, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### **Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the general notice issued in terms of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (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.

### **Auditor-general's responsibility**

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the PAA, the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected

depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the President's Fund as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the general notice issued in terms of the PAA.

### **Emphasis of matter**

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### **Restatement of corresponding figures**

8. As disclosed in note 13 to the financial statements, the corresponding figures for 31 March 2013 have been restated as a result of an error discovered during the year ended 31 March 2014 in the financial statements of the President's Fund at, and for the year ended, 31 March 2013.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### Predetermined objectives

10. I did not audit performance against predetermined objectives, as the fund is not required to prepare a report on its performance against predetermined objectives. The fund does not fall within the ambit of the PFMA and the entity-specific legislation does not require reporting on performance against predetermined objectives.

### Compliance with legislation

11. I performed procedures to obtain evidence that the fund had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

### Internal control

12. I considered internal control relevant to my audit of the financial statements and compliance with legislation. I did not identify any significant deficiencies in internal control.

*Auditor - General*

Pretoria  
30 July 2014



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

13 | 14 HIGHLIGHT

20

*Over the past 20 years, we've changed the face of justice from oppressive to empowering.*



# *Annual Financial Statements*

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2014

|                                       | Notes | 2014              | 2013              |
|---------------------------------------|-------|-------------------|-------------------|
|                                       |       | R                 | R                 |
| <b>Revenue</b>                        |       |                   |                   |
| Investment revenue                    | 3     | 63 520 110        | 63 500 919        |
|                                       |       | <b>63 520 110</b> | <b>63 500 919</b> |
| Less: expenditure                     | 4     | 1 147 176         | 886 136           |
| <b>Surplus/(deficit) for the year</b> |       | <b>62 372 935</b> | <b>62 614 783</b> |

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

|   | Notes | 2014                 | 2013                 |
|---|-------|----------------------|----------------------|
|   |       | R                    | R                    |
| <b>ASSETS</b>   |       |                      |                      |
| <b>Non-current assets</b>                               |       | <b>1 152 419 203</b> | <b>1 089 656 494</b> |
| Financial investments at fair value                     | 6     | 1 152 419 203        | 1 089 656 494        |
| <b>Current assets</b>                                   |       | <b>46 694 752</b>    | <b>49 598 767</b>    |
| Cash and cash equivalents                               | 8     | 46 690 752           | 49 594 767           |
| Trade and other receivables - Non exchange transactions | 5     | 4 000                | 4 000                |
| <b>Total assets</b>                                     |       | <b>1 199 113 955</b> | <b>1 139 255 261</b> |
| <b>LIABILITIES</b>                                      |       |                      |                      |
| <b>Total liabilities</b>                                |       | <b>3 216 788</b>     | <b>5 731 029</b>     |
| Trade and other payables - Non exchange transactions    | 7     | 1 014                | 1 058                |
| Provision   | 14    | 3 215 774            | 5 729 971            |
| <b>CAPITAL AND RESERVES</b>                             |       |                      |                      |
| <b>Total net assets</b>                                 |       | <b>1 195 897 167</b> | <b>1 133 524 232</b> |
| Accumulated surplus                                     | 9     | 1 195 897 167        | 1 133 524 232        |
| <b>Total net assets and liabilities</b>                 |       | <b>1 199 113 955</b> | <b>1 139 255 261</b> |

## STATEMENT OF CHANGES IN NET ASSETS AS AT 31 MARCH 2014

|                                      | Notes     | 2014                 | 2013                 |
|--------------------------------------|-----------|----------------------|----------------------|
|                                      |           | R                    | R                    |
| <b>Accumulated Surplus</b>           |           |                      |                      |
| Opening balance                      |           | <b>1 133 524 232</b> | <b>1 070 969 449</b> |
| Plus: Surplus/(deficit) for the year |           | 62 372 935           | 62 614 783           |
| Prior year error                     | <b>13</b> | 0                    | -60 000              |
| Closing balance                      | <b>9</b>  | <b>1 195 897 167</b> | <b>1 133 524 232</b> |
| Total net assets                     |           | <b>1 195 897 167</b> | <b>1 133 524 232</b> |

## CASH FLOW STATEMENT AS AT 31 MARCH 2014

|   | Notes     | 2014              | 2013              |
|---|-----------|-------------------|-------------------|
|   |           | R                 | R                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                   |           |                   |                   |
| Cash receipts on behalf of beneficiaries                                      |           | 0                 | 0                 |
| Cash paid to beneficiaries and creditors                                      |           | -2 996 056        | -9 067 512        |
| <b>Cash generated from/(utilised in) operations</b>                           | <b>10</b> | <b>-2 996 056</b> | <b>-9 067 512</b> |
| <b>Net cash inflows/(outflows) from operating activities</b>                  |           | <b>-2 996 056</b> | <b>-9 067 512</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                   |           |                   |                   |
| <b>Net cash flows from investing activities</b>                               |           | <b>3 000 000</b>  | <b>9 000 000</b>  |
| Net investments   |           | 3 000 000         | 9 000 000         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                   |           |                   |                   |
| <b>Net increase/(decrease) in cash and cash equivalents (Current Account)</b> |           | <b>3 944</b>      | <b>-67 512</b>    |
| <b>Net increase/(decrease) in cash and cash equivalents (PIC)</b>             |           | <b>-2 907 959</b> | <b>18 567 225</b> |
| Cash and cash equivalents at the beginning of the year (current account)      | <b>8</b>  | 802 269           | 869 781           |
| Cash and cash equivalents at the beginning of the year (PIC)                  | <b>8</b>  | 48 792 498        | 30 225 273        |
| <b>Cash and cash equivalents at end of the year</b>                           |           | <b>46 690 752</b> | <b>49 594 767</b> |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

## 1. GENERAL INFORMATION

The President's Fund was established in terms of section 42 of the Promotion of National Unity and Reconciliation Act, (Act No. 34 of 1995) and domiciled in the Republic of South Africa.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

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

#### 2.1.1 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. Significant judgements include the following:

#### 2.1.2 Contingent liabilities

The basis for calculation of the contingent liability is R30 000 being fixed amount for final reparation and an average amount of R2 932 being provision for interim reparation as the interim reparation varies from R2 000 to R5 705 due to number of people in need within the family.

#### 2.1.3 Statement of compliance

The financial statements of the President's Fund have

been prepared in accordance with South African Standards of Generally Recognised Accounting Practice as required by the Public Finance Management Act, (Act No. 1 of 1999) (PFMA).

### 2.2 Summary of significant accounting policies

#### 2.2.1 Revenue recognition

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

##### (i) Interest income

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

#### 2.2.2 Expenditure

##### (i) Reparations

Reparations are initially recognised when a beneficiary's application is approved by the Committee on Reparation and Rehabilitation within the Truth and Reconciliation Commission.

Reparations are processed in terms of the regulations.

##### (ii) Administration expenditure

Disbursements in respect of administrative expenses: bank charges, management fees and service provider fees are recognised when received and measured at cost.

##### (iii) Exhumation and reburials

Financial assistance is provided to a relative of a missing person, reported to the Truth and Reconciliation Commission (TRC) as a deceased victim, whose remains have been exhumed and handed to the family for reburial or symbolic burial of persons whose physical remains cannot be found. The exhumation and reburials are recognised on application and measured at cost.

### **2.2.3 Financial instruments**

#### **Financial instruments at fair value**

Financial assets at fair value are financial instruments held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing it in the short term.

Fair value financial assets are measured with consideration that unrealised gains and losses are recognised directly in surplus or deficit. Interest earned whilst holding fair value financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding fair value financial investments are recognised in the statement of comprehensive income as "other operating income" when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the income statement in "impairment losses on financial investments" and removed from the Accumulated other comprehensive income.

Financial assets, other than those at Fair Value Through Profit or Loss (FVTPL), are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

#### **(i) Date of recognition**

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

#### **(ii) Initial recognition of financial statements**

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value and transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

#### **(iii) Subsequent measurement**

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with

gains and losses arising from changes in fair value being included in surplus or deficit for the period.

#### **(iv) Derecognition**

The financial instrument is derecognised when the contractual agreement in respect of the financial assets is terminated.

### **2.3 Trade and other receivables**

The trade and other receivables are recognised when beneficiaries are overpaid and measured by the amount of the overpayment. The trade and other receivables originated by the Fund are stated at fair value.

The derecognition of other receivables are when recoveries are made or write-off is approved.

#### **2.3.1 Write-off and provision of irrecoverable debts Policy**

Provision for bad debts are made when write-off has not been approved but the debt seem irrecoverable.

The President's Fund utilises the Policy: Writing off of Debt as applicable to the Department of Justice and Constitutional Development and approved by the Director-General on 31 March 2011.

### **2.4 Provisions**

Represents amounts owing to victims who have applied for reparation but could not be located at their given addresses. The timing of these payments is uncertain.

The recognition of the provision is made when interim reparation is paid to beneficiaries. The measurement is in terms of regulations governing the payment of the final reparation and the amounts remain at an initial recognition.

### **2.5 Cash and cash equivalents**

Cash and cash equivalents demand deposits that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These are made up of amounts from financial investments as well as cash in commercial banks.

Cash and cash equivalents and bank borrowings are recorded at face value at which it remains.

The derecognition of the cash and cash equivalents is when cash has been finally used.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

### 2.6 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the President's Fund. The President's Fund classifies its contingent liability as people who were declared victims by the TRC and have not applied for reparation. It is uncertain whether these people will apply for reparation. Contingent liabilities are included in the disclosure notes.

The basis for calculation of the contingent liability is R30 000 being fixed amount for final reparation and an average amount of R2 932 being provision for interim reparation as the interim reparation varies from R2 000 to R5 705 due to the number of people in need within the family.

The subsequent measurement of the contingent liabilities reduces on application for interim and final reparation. It will be derecognised when the President's Fund is dissolved and money transferred to the Disaster Relief Fund as per the Promotion of National Unity and Reconciliation Act (Act No. 34 of 1995).

### 2.7 Related parties

Related parties are recognised when it is being controlled by another entity and other entities are subject to common control. It includes key management personnel which exercise significant influence in making decisions on financial investment.

Related party transactions are measured at actual cost and derecognised when the President's Fund is dissolved.

### 2.8 Cash flow statement

The cash flow statement is prepared according to the indirect method.

### 2.9 GRAP Standards approved but not yet effective yet applicable to the GRAP financial reporting framework are as follows:

GRAP 105: Transfers of functions between entities under common control

GRAP 106: Transfers of functions between entities not under common control

GRAP 107: Mergers

GRAP 20: Related parties 01 April 2014

IGRAP 11: Consolidation – Special purpose entities

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

GRAP 7 (as revised 2010): Investments in Associates

GRAP 8 (as revised 2010): Interests in Joint Ventures

GRAP 32: Service Concession Arrangements:

Grantor

GRAP 108: Statutory Receivables

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

GRAP 18: Segment reporting

These GRAP standards are not applicable to this entity.

2.10 GRAP 1 and GRAP 24 require the Fund to present budget against actual information in the annual financial statements. Due to the nature of the President's Fund and the Fund not having a budget, this disclosure has not been made.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

President's Fund Annual Report 2013-2014

|   | 2014                 | 2013                 |
|---|----------------------|----------------------|
|   | R                    | R                    |
| <b>3 Investment revenue</b>   |                      |                      |
| Interest received (Fair value investments) - PIC  | 63 520 110           | 63 500 919           |
|   | <b>63 520 110</b>    | <b>63 500 919</b>    |
| <b>4 Surplus/(deficit) for the year</b>   |                      |                      |
| Operating profit has been determined after taking into account the following revenue and expenditure items:                         |                      |                      |
| <b>Revenue</b>  | <b>63 520 110</b>    | <b>63 500 919</b>    |
| Investment Revenue - See note 3   | 63 520 110           | 63 500 919           |
| <b>Less: Expenditure</b>  | <b>1 147 175</b>     | <b>886 136</b>       |
| Interim reparations (New applications)  | 19 030               | 18 795               |
| Management Fees - Public Investment Corporation   | 665 359              | 634 752              |
| Final reparations (New applications)  | 180 000              | 180 000              |
| Exhumation and Reburials  | 272 768              | 38 886               |
| Service Provider - BDB Data Bureau  | 7 172                | 8 838                |
| Bank Charges  | 2 846                | 4 865                |
| Provision for bad debts - See note 5  | 0                    | 0                    |
| <b>Surplus/(deficit) for the year</b>   | <b>62 372 935</b>    | <b>62 614 783</b>    |
| <b>5 Trade and other receivables - Non exchange transactions</b>  |                      |                      |
| Reparation payments recoverable:  | 4 000                | 4 000                |
| Accounts receivable   | 277 264              | 277 264              |
| Less: Provision for bad debts   | -273 264             | -273 264             |
|   | <b>4 000</b>         | <b>4 000</b>         |
| <b>In the process to write off bad debts because it is irrecoverable. The provision was made during the financial year 2011/12.</b> |                      |                      |
| <b>6 Financial investments at fair value</b>  |                      |                      |
| <b>6.1 Public Investment Corporation</b>  |                      |                      |
| Opening balance as originally stated  | 1 138 448 992        | 1 084 582 825        |
| Cost  | 1 138 448 992        | 1 084 582 825        |
| Investment income received during financial year  | 63 520 110           | 63 500 919           |
| Drawings during the year  | -3 000 000           | -9 000 000           |
| Management expenses   | -665 359             | -634 752             |
| Trading cash (classified as cash and cash equivalents)  | -45 884 539          | -48 792 498          |
| <b>Closing balance</b>  | <b>1 152 419 203</b> | <b>1 089 656 494</b> |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

|  | <b>2014</b>          | <b>2013</b>          |
|--|----------------------|----------------------|
|  | <b>R</b>             | <b>R</b>             |
| Fair value at acquisition date   | 1 152 419 203        | 1 089 656 494        |
| Unrealised profit/(losses) is the difference between "All-in market values" and the "Clean book value" plus "Market value interest"  |                      |                      |
| All Market Value   | -1 152 419 203       | -1 089 656 494       |
| Clean Book Value   | 1 129 826 203        | 1 065 052 139        |
| Difference   | -22 593 000          | -24 604 355          |
| Plus: Market Value Interest  | 22 593 000           | 24 604 355           |
| Unrealised Profit/ Losses  | <b>0</b>             | <b>0</b>             |
| <b>PIC Investments</b>   |                      |                      |
| Money Market 0 - 3 months  | 455 163 610          | 406 322 423          |
| Money Market 3 - 6 months  | 377 344 137          | 344 117 662          |
| Money Market 6 - 9 months  | 174 420 401          | 188 569 999          |
| Money Market 9 - 12 months   | 145 491 055          | 150 646 410          |
|  | <b>1 152 419 203</b> | <b>1 089 656 494</b> |
| <b>6.2 Total financial investments at fair value</b>   | <b>1 152 419 203</b> | <b>1 089 656 494</b> |
| <b>7 Trade and other payables - Non exchange transactions</b>  |                      |                      |
| Accruals   | 630                  | 673                  |
| Unidentified   | 384                  | 385                  |
|  | <b>1 014</b>         | <b>1 058</b>         |
| <b>8 Cash and cash equivalents</b>   |                      |                      |
| Standard Bank account  | 806 213              | 802 269              |
| PIC Trading cash   | 45 884 539           | 48 792 498           |
|  | <b>46 690 752</b>    | <b>49 594 767</b>    |
| The current account balance R806 395 less the bank costs R-182 is equal to R806 213<br>The carrying amount of Cash and cash equivalents approximates their fair value due to their short-term maturity |                      |                      |
| <b>9 Accumulated surplus/ (deficit)</b>  |                      |                      |
| Opening balance at the beginning of the year   | 1 133 524 232        | 1 070 969 449        |
| Surplus/(deficit) for the year   | 62 372 935           | 62 614 783           |
| Prior year error (note 13)   | 0                    | -60 000              |
| <b>Balance at the end of the year</b>  | <b>1 195 897 167</b> | <b>1 133 524 232</b> |

|             |  | 2014              | 2013              |
|-------------|--|-------------------|-------------------|
|             |  | R                 | R                 |
| <b>10</b>   | <b>Cash generated from/(utilised in) operations</b>  |                   |                   |
|             | Cash receipts on behalf of beneficiaries   | 0                 | 0                 |
|             | Cash paid to beneficiaries and creditors   | -2 996 056        | -9 067 512        |
|             | <b>Net cash flows from operating activities</b>  | <b>-2 996 056</b> | <b>-9 067 512</b> |
| <b>11</b>   | <b>Related party transactions</b>  |                   |                   |
|             | The Department of Justice and Constitutional Development is the principal related party and has under its control the President's Fund, Third Party Fund, Guardian's Fund and the Criminal Asset Recovery Account (CARA), National Prosecuting Authority (NPA), Special Investigating Unit and Legal Aid Board as entities   |                   |                   |
| <b>11.1</b> | <b>Department of Justice and Constitutional Development</b>  |                   |                   |
|             | <b>Relationship:</b>   |                   |                   |
|             | All administration costs for the President's Fund are paid for by the Department of Justice and Constitutional Development   |                   |                   |
|             | Compensation of employees  | 979 350           | 1 033 818         |
|             | Goods and services   | 115 693           | 15 177            |
|             |  | <b>1 095 043</b>  | <b>1 048 995</b>  |
| <b>11.2</b> | <b>Key management personnel</b>  |                   |                   |
|             | Compensation of employees  | 622 490           | 523 089           |
|             | Households   | 64 065            | 0                 |
|             |  | <b>686 555</b>    | <b>523 089</b>    |
| <b>11.3</b> | <b>Public Investment Corporation</b>   |                   |                   |
|             | <b>Relationship:</b>   |                   |                   |
|             | In terms of section 42 of the Promotion of National Unity and Reconciliation Act 34 of 1995, the President's Fund invest their monies with PIC. Details of the transaction values as stated in <b>notes 3, 4, 6 and 8.</b>   |                   |                   |
| <b>12</b>   | <b>Contingent liabilities</b>  |                   |                   |
|             | Victims identified by the TRC need to apply for reparations before they are recognised as creditors. An uncertainty exists as to how many victims may apply in the future. At 31 March 2014 the estimated amount was R76 896 065 in respect of 2 335 beneficiaries, whereas as at 31 March 2013 the estimated amount was R76 928 965 in respect of 2 336 beneficiaries |                   |                   |
| <b>13</b>   | <b>Prior year error</b>  |                   |                   |
|             | The transaction is due to underprovision of the creditors for the 2012/13 financial year. Opening balance as at 1 April 2013.  |                   |                   |
| <b>13.1</b> | Increase in provisions   | 0                 | 60 000            |
|             | Decrease in accumulated surplus  | 0                 | -60 000           |
|             |  | <b>0</b>          | <b>0</b>          |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

|             |   | 2014             | 2013             |
|-------------|---|------------------|------------------|
|             |   | R                | R                |
| <b>13.2</b> | The transaction is due to incorrect classification in the prior year from financial investment to cash and cash equivalents   |                  |                  |
|             | Increase in cash and cash equivalents   | 0                | 48 792 498       |
|             | Decrease in financial investment at fair value  | 0                | -48 792 498      |
|             |   | <b>0</b>         | <b>0</b>         |
| <b>13.3</b> | <b>Change in classification</b>   |                  |                  |
|             | The transaction is due to incorrect classification in the prior year from trade and other payables to provisions              |                  |                  |
|             | Creditors-Reparation payments   | 0                | -5 669 971       |
|             | Provisions  | 0                | 5 669 971        |
|             |   | <b>0</b>         | <b>0</b>         |
| <b>14</b>   | <b>Provisions</b>   |                  |                  |
|             | Carrying amount at the beginning of the year  | 5 729 971        | 14520267         |
|             | Movement for the year   | -2 514 197       | -8 850 296       |
|             | Prior year error (see note 13)  | 0                | 60000            |
|             | <b>Carrying amount at the end of the year</b>   | <b>3 215 774</b> | <b>5 729 971</b> |
|             | The provisions are made in terms of section 47 of the Promotion of National Unity and Reconciliation Act (Act No. 34 of 1995) |                  |                  |



## **15. RISK MANAGEMENT**

### **15.1 Introduction**

As a client of the PIC, the President's Fund specifies its desirable risk parameters in accordance with its own risk appetite. This risk appetite informs the formal investment mandate given to the PIC. The ultimate responsibility for investment risk management oversight lies with the PIC and not with the President's Fund.

### **15.2 Market risk**

Market risk is the potential loss due to adverse movement in the market value of assets.

The entity's activities expose it primarily to the risk of fluctuations in interest rates.

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

### **15.3 Interest rate risk management**

The President's Fund interest rate profile consists of Money Market accounts and bank balances which expose the entity to fair value interest rate risk and cash flow interest rate risk, and can be summarised as follows:

#### **15.4 Financial assets**

Bank balances linked to South African prime rate.  
Money Market linked to South African prime rate.

The management of the Money Market interest rate risk is done by the PIC.

#### **15.5 Interest rate risk**

This risk is the potential financial loss as a result of adverse movements in interest rates that affect the value of Money Market instruments. As a PIC client, the President's Fund has exposure to interest rate risk through investments in Money Markets.

Sensitivity to interest rate movements is measured by the duration of the fixed interest exposure. Such duration is dictated in the President'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 President's Fund liquidity needs and its liability profile.

### **15.6 Credit risk**

President'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 honor contractual obligations.

To mitigate this risk and minimize excessive credit exposure to one single counterparty, the President'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.

### **15.7 Liquidity risk**

Liquidity risk arises when there are insufficient liquid assets available to enable the President's Fund to meet its obligations when due.

The President's Fund current liquid asset holdings of less than 3 months maturity amount to R455 million of the total portfolio which ensures sufficient liquidity to pay out monies due to beneficiaries.

### **15.8 Operational risk**

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

### **15.9 Concentration risk**

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

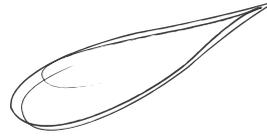
## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

### **Acknowledgements**

Our appreciation towards the loyal support and valuable contributions of the various stakeholders is hereby expressed.

The financial statements set out on pages 17 to 28 have been approved by the Accounting Officer.



**Ms N Sindane**  
**Accounting Officer**  
**President's Fund**  
**Date: 30 July 2014**







**RP286/2014**

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