

▶ 20<sup>18/19</sup>

PRESIDENT'S  
FUND

DEPARTMENT OF JUSTICE AND  
CONSTITUTIONAL DEVELOPMENT



**the doj & cd**

Department:  
Justice and Constitutional Development  
**REPUBLIC OF SOUTH AFRICA**





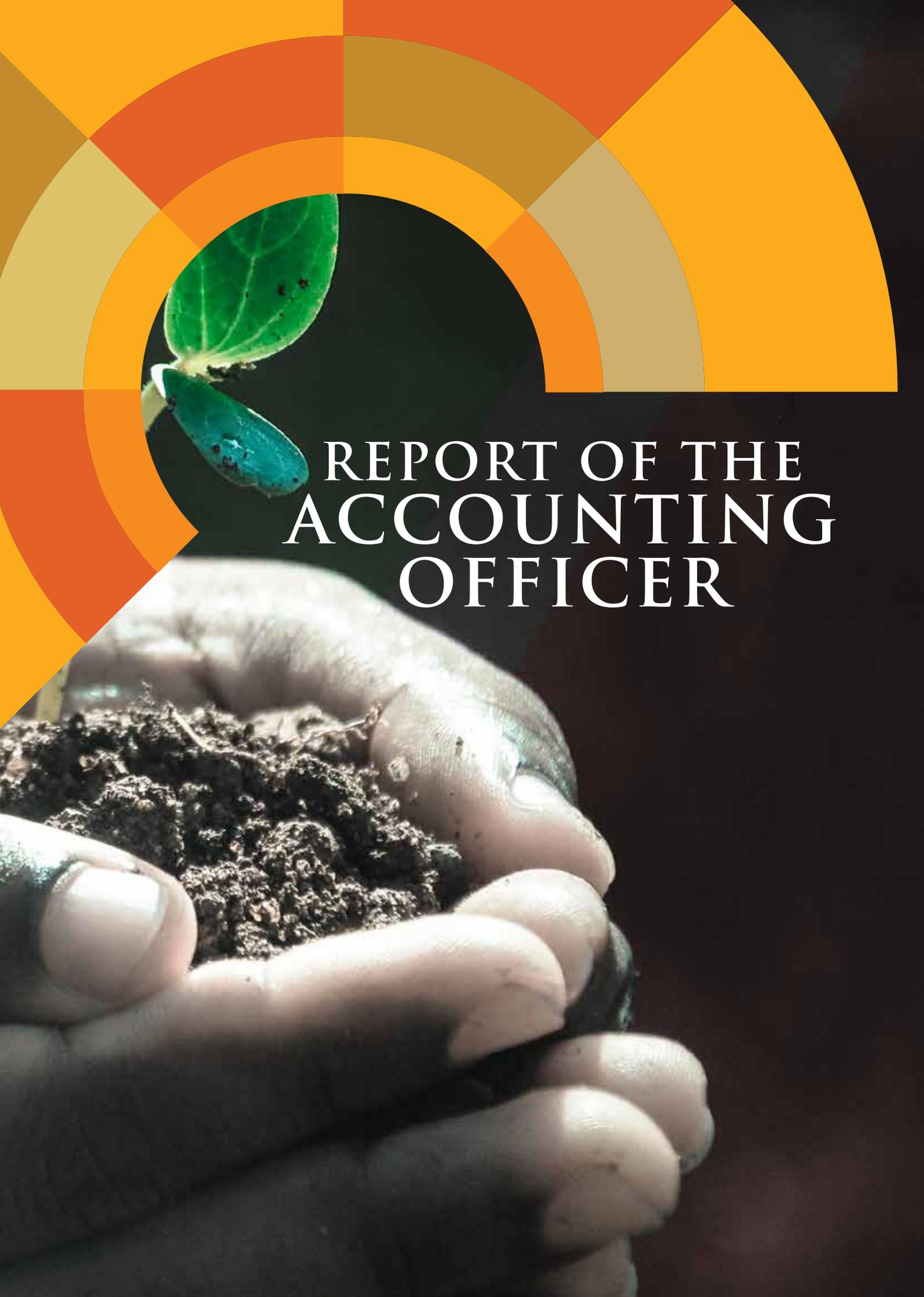
DEPARTMENT OF JUSTICE AND  
CONSTITUTIONAL DEVELOPMENT

PRESIDENT'S FUND

FOR THE YEAR ENDED 31 MARCH 2019

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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 2019

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

- A once-off individual grant of R30 000 to those individuals or survivors designated by the TRC.
- Systematic programs to project 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 programs 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.
- Whole community rehabilitation, other than individuals linked to the process, which suffered and are still in distress. The need therefore exist for such communities to be rehabilitated through various programs 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". Therefore interventions are superseded by the promulgation of Regulations that enable the Department of Justice and Constitutional Development to ensure the implementation in accordance with such Regulations.

### Once-off Individual Grant of R30 000

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

With regards to the victims who applied for reparation, this aspect of the reparation measure has been completed. There are thirteen beneficiaries who could not be traced of which seven are declared to be residing abroad. Funds for the outstanding beneficiaries have been reserved in the fund, should the beneficiaries come forward to claim their reparation grants.

### Symbols and Monuments

This aspect of the reparation measures is being implemented under the auspices of the Department of Arts and Culture and is continuing throughout the Republic.

This recommendation will not be funded by the President's Fund as it is a standard mandate of the Department of Arts and Culture and is funded accordingly.

### Other forms of social assistance

Regulations on assistance to families of missing persons, whose remains were exhumed and reburied, were promulgated and gazetted on 7 May 2010. Assistance to the value of R 2 155 861.04 was granted up to 31 March 2019 to families who applied for contributions towards re-burial expenses in terms of the regulations. The Regulations have since been amended to provide for, among others, extended forms of assistance which

include the following: Travel and subsistence allowance for family members of a missing person or a deceased TRC victim to attend a cleansing ceremony and a hand-over ceremony (where the remains of such a person is handed over to the family); the payment of an amount of R1 500 to purchase an animal to be slaughtered for the purposes of a cleansing ceremony; the provision of a coffin under certain circumstances and funeral items and accessories of R12 000 as well as travel and subsistence cost to assist the family member, where needed, to attend the said ceremonies. These amounts increase on an annual basis.

Regulations for both the Departments of Basic Education and Higher Education and Training commenced on 7 November 2014 to address educational support to TRC identified beneficiaries through implementation by the relevant education departments. A total amount of R 25 235 502.67 was contributed towards the Department of Basic Education and R13 027 737.27 towards the Department of Higher Education and Training in relation to claims submitted.

In the accounting officer's Report for the Financial Year 2013/2014 it was stated that the Department of Health is considering amendments to the National Health Act, 2003 to provide for free health services to the victims, their relatives and dependants. Due to the advent of the White Paper on National Health Insurance the proposed initiatives will automatically cover the identified TRC beneficiaries. Once the Department of Health promulgates the amendments to the National Health Act, the draft Regulations can be proceeded with. In the meantime a dedicated staff member in the Department of Health assists these beneficiaries in relation to specialised needs.

In the previous accounting officer's Report, it was indicated that a list of TRC identified victims in need of housing assistance, including repairs or renovations to existing infrastructure, has been compiled. Following the finalization of the data clearing process, the Department commenced with a housing needs analysis process for all TRC recommended beneficiaries whose addresses have been established. The analysis was achieved through conducting a country-wide door-to-door survey by means of a questionnaire developed by the TRC Unit in consultation with the Department of Human Settlement. Based on the results of the survey that was completed in May 2018, a draft guideline for housing reparation has been prepared and is currently being costed in preparation for consultation.

### **Rehabilitation of Communities**

The Department has over time prepared two sets of Regulations that have already been published in the Gazette for public comments, namely on 29 November 2013 and 13 July 2018.

Some of the stakeholders, particularly the Civil Society Organisations have expressed the view that the regulations should be preceded by a comprehensive reparation policy, a matter which may further delay the process. Re-engagements with the affected communities are set to take place from the beginning of the financial year onwards.

A new Community Rehabilitation Project Team (CRPT) was established in May 2017 to coordinate and fast track the implementation of revised Community Rehabilitation measures in identified communities.

## **2. CORPORATE GOVERNANCE ARRANGEMENTS**

The administration cost for the fund and associated resources is paid by the Department of Justice and Constitutional Development as a related party. The fund utilises the Department's risk management and fraud prevention approach, relevant policies, and related support services in the achievement of its objectives. It also utilises the governance structures, systems and management processes of the related party including Internal Audit, the Risk Committee and the Audit Committee. The performance indicators for the TRC, is included in the overall performance of the Department.

### 3. OTHER

The Department shall continue to ensure that the funds available in the President's Fund, as well as any further contributions, are utilised solely for the purpose 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.



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**Mr V Madonsela**

**Accounting officer: President's Fund**

**Date: 31 July 2019**



REPORT OF  
THE AUDIT  
COMMITTEE

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

### 1. REPORT OF THE AUDIT COMMITTEE

We are pleased to present our interim report for the financial year ended 31 March 2019.

#### 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 current year four (4) meetings were held and attendance was tabled.

Name of members	Number of meetings attended	Status
Mr. Motsamai Karedi (Chairperson)	4	Reappointed - 23 April 2019
Mr. Cedric Boltman	4	Reappointed- 23 April 2019
Ms. Besky Ngunjiri	4	Reappointed - March 2015
Mr. Wilson Ramabulana	4	Reappointed - 23 April 2019
Mr. Andrew Sello	4	Reappointed - 23 April 2019

#### 1.2 AUDIT COMMITTEE RESPONSIBILITY

We report that we have complied with our responsibilities arising from Section 38 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with the Charter and has discharged all its responsibilities as contained therein.

#### 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 in the internal controls were identified; management has addressed them through implementation of audit action plans. Internal Audit validated the audit action plans and the Audit Committee reviewed same to ensure effective implementation by management.

#### 1.4 INTERNAL AUDIT

We are satisfied that the Internal Audit function is operating effectively and that it has addressed the risks pertinent to the entity in its audit. The Internal Audit completed their 2018/2019 audit plan as approved by the Audit Committee. We have met with Internal Audit during the year to ensure that the function is executed effectively and objectively.

#### 1.5 AUDITOR-GENERAL SOUTH AFRICA

The Audit Committee accepts and concurs with the unqualified audit opinion of the AGSA on the Annual Financial Statements of the President's Fund for the year ended 31 March 2019.

## 1.6 REPORTS

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

The Audit Committee has reviewed the monthly and quarterly reports. Where concerns were raised, management has acted on them and the Audit Committee monitored progress throughout the year under review.

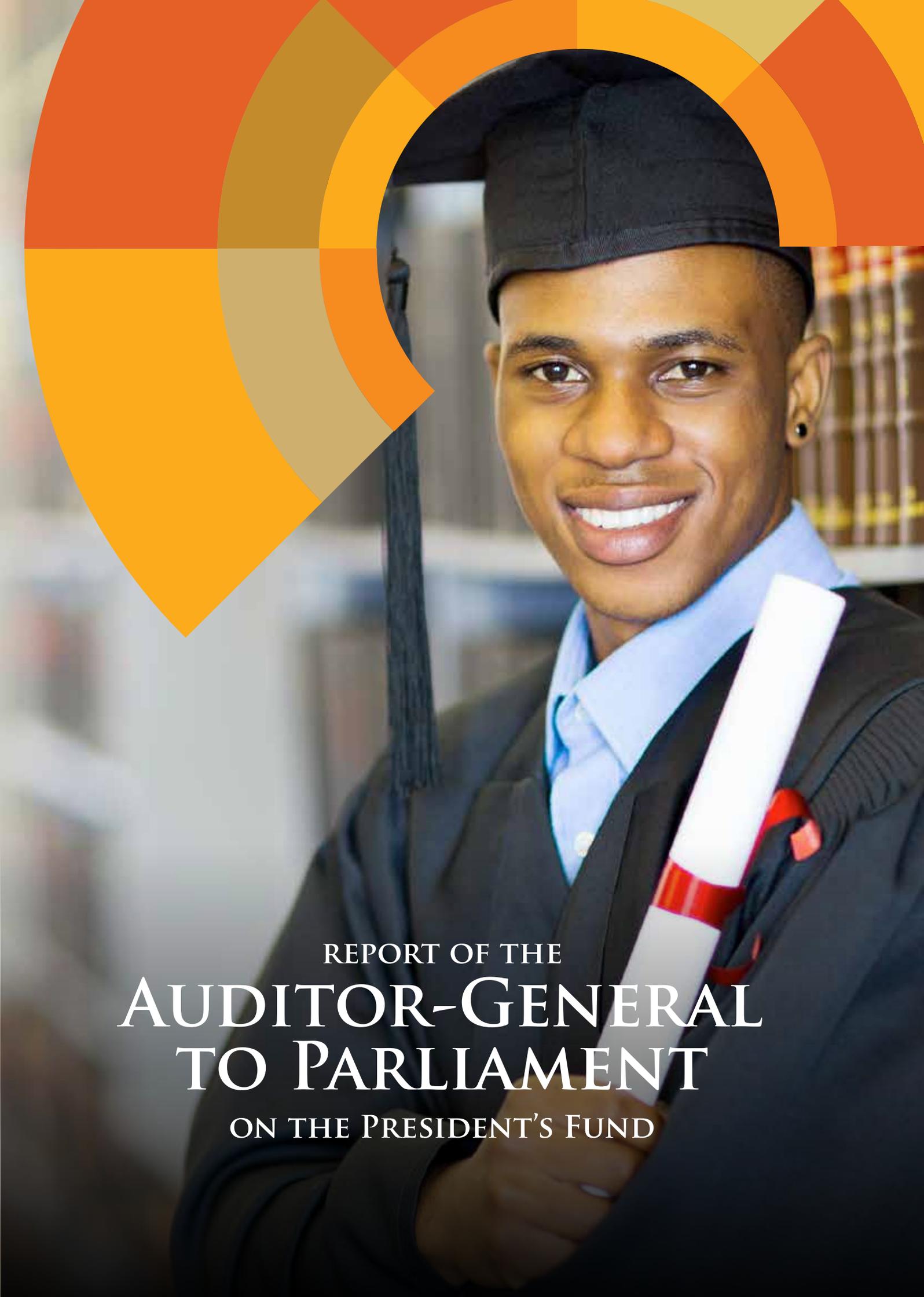
### 1.6.2 Evaluation of financial statements

We have reviewed and discussed the audited annual financial statements with management and also reviewed the fund's compliance with legal and regulatory provisions. We have also reviewed the Auditor-General of South Africa's report and management letter, and management's responses to it. The Audit Committee is satisfied with the contents thereof.



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**M Karedi**  
**Chairperson of the Audit Committee**  
**Date: 31 July 2019**



REPORT OF THE  
**AUDITOR-GENERAL**  
**TO PARLIAMENT**  
ON THE PRESIDENT'S FUND

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

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

1. I have audited the financial statements of the President's Fund set out on pages 16 to 30, which comprise of the statement of financial position as at 31 March 2019, 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 to financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the President's Fund as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of section 42 of the Promotion of National Unity and Reconciliation Act (Act No. 34 of 1995).

#### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the fund in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

6. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of section 42 of the Promotion of National Unity and Reconciliation Act (Act No. 34 of 1995), 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.
7. In preparing the financial statements, the accounting officer is responsible for assessing the President's 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.

#### Auditor-General's responsibilities for the audit of financial statements

8. 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.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## PERFORMANCE INFORMATION REPORTING

10. The fund is not required to prepare a report on its performance against predetermined objectives, as it does not fall within the ambit of the PFMA and such reporting is also not required in terms of the entity's specific legislation.

## REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

### Introduction and scope

11. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the fund with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
12. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

## OTHER INFORMATION

13. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include financial statements and the auditor's report.
14. My opinion on the financial statements and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
15. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
16. If, based on the work I have performed, I conclude that there is a material misstatement in this other information; I am required to report that fact. I have nothing to report in this regard.

## INTERNAL CONTROL DEFICIENCIES

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

*Auditor-General*

Pretoria

31 July 2019



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

### **Annexure - Auditor-General's responsibility for the audit**

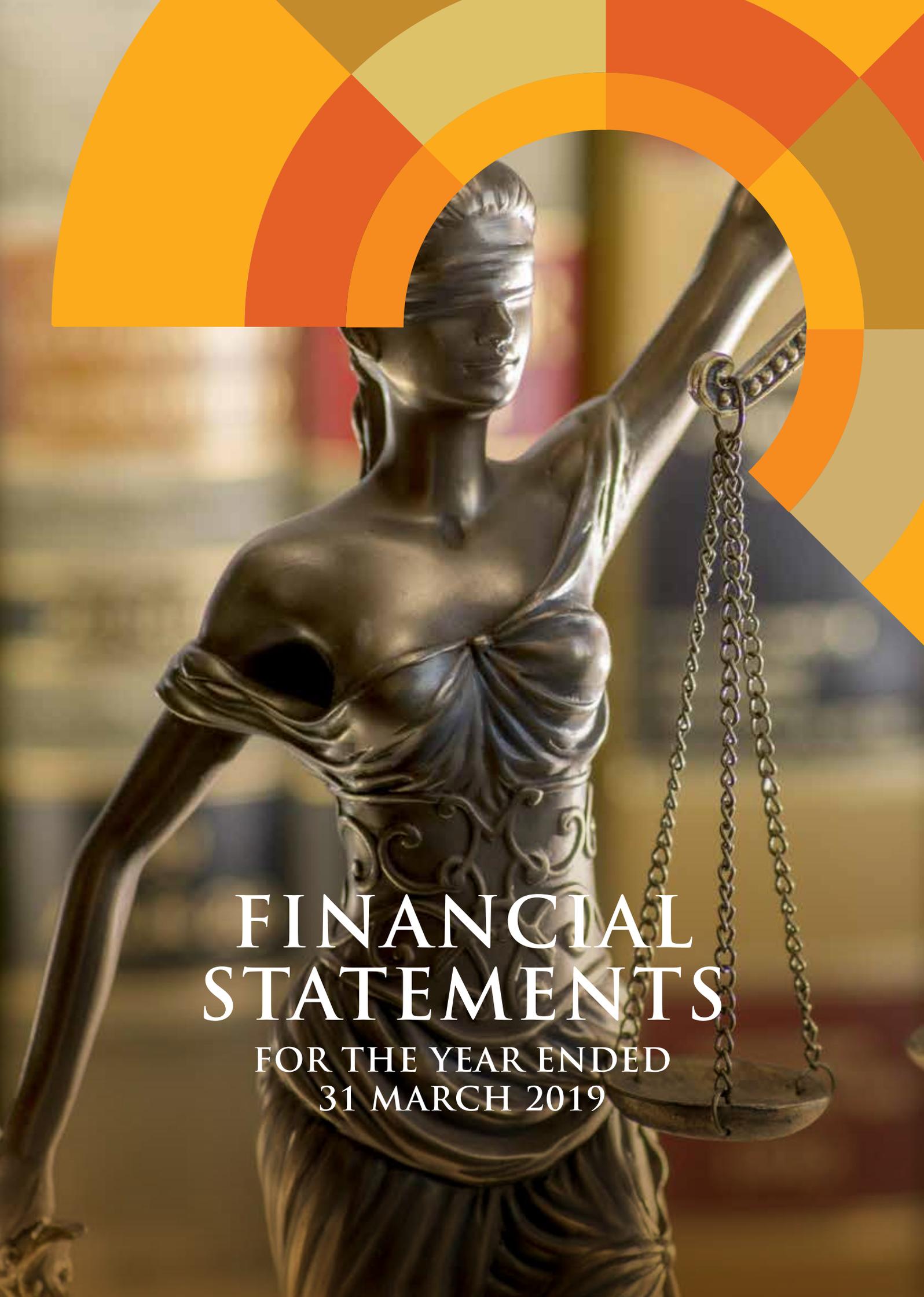
1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and on the fund's compliance with respect to the selected subject matters.

### **Financial statements**

2. In addition to my responsibility for the audit of 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 by the accounting officer.
  - Conclude on the appropriateness of the accounting officer's 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 related to events or conditions that may cast significant doubt on the President's Fund's ability 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 the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a fund to cease continuing as a going concern.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Communication with those charged with governance**

3. 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.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.



# FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
31 MARCH 2019

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 R'000	2018 R'000
<b>Revenue</b>			
Investment revenue	3	120 146	113 555
Unrealised profit/loss		0	294
		<b>120 146</b>	<b>113 849</b>
Less: Expenditure	4	11 236	13 065
<b>Surplus for the year</b>	4	<b>108 910</b>	<b>100 784</b>

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2019**

	<b>Notes</b>	<b>2019 R'000</b>	<b>2018 R'000</b>
<b>ASSETS</b>			
<b>Current assets</b>		<b>1 668 110</b>	<b>1 567 125</b>
Financial investments at fair value	6	1 495 398	1 486 959
Cash and cash equivalents	8	172 712	80 166
Trade and other receivables - non-exchange transactions	5	0	0
<b>Total assets</b>		<b>1 668 110</b>	<b>1 567 125</b>
<b>LIABILITIES</b>			
<b>Total liabilities</b>		<b>19 832</b>	<b>27 463</b>
Trade and other payables – non-exchange transactions	7	3 241	4 323
Provision	13	16 591	23 140
<b>CAPITAL AND RESERVES</b>			
<b>Total net assets</b>		<b>1 648 278</b>	<b>1 539 662</b>
Accumulated surplus	9	1 648 278	1 539 662
<b>Total net assets and liabilities</b>		<b>1 668 110</b>	<b>1 567 125</b>

**STATEMENT OF CHANGES IN NET ASSETS  
AS AT 31 MARCH 2019**

	Notes	2019 R'000	2018 R'000
<b>Accumulated surplus</b>			
Opening balance		<b>1 539 662</b>	<b>1 439 173</b>
<b>Plus: Surplus for the year</b>	4	108 910	100 784
<b>Less: Movement on unrealised profit</b>	14	-294	-295
<b>Closing balance</b>	9	<b>1 648 278</b>	<b>1 539 662</b>
<b>Total net assets</b>		<b>1 648 278</b>	<b>1 539 662</b>

**CASH FLOW STATEMENT  
AS AT 31 MARCH 2019**

	Notes	2019 R'000	2018 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		0	0
Interest received	3	120 146	113 555
Other receipts		0	0
Management fees (PIC)		-928	-862
Other payments	10	-17 938	-10 370
<b>Net cash flows from operating activities</b>		<b>101 280</b>	<b>102 323</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investments		-8 734	-79 709
<b>Net cash flows from investing activities</b>		<b>-8 734</b>	<b>-79 709</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Net cash flows from financing activities</b>		<b>0</b>	<b>0</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>92 546</b>	<b>22 614</b>
Cash and cash equivalents at beginning of period		80 166	57 552
<b>Cash and cash equivalents at end of period</b>	<b>8</b>	<b>172 712</b>	<b>80 166</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

### 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 and accrual 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 presented 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 in respect of interim and final reparation is R30 000 as the fixed amount for final reparation and an average amount of R2 932 as the 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 basis for calculation of the contingent liability in respect of exhumations, reburials, or symbolic burials are made in respect of 40 politically executed prisoners in cases where the remains were already exhumed, handed over and reburied. The amount payable is determined by the date of the handover/reburial. These families may qualify once they have submitted the necessary application forms.

##### 2.1.3 Compliance

The financial statements of the President's Fund have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) as required by the Public Finance Management Act (PFMA) (Act No.1 of 1999).

## **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 each of 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, including 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 over to the family for reburial, or for symbolic burial of persons whose physical remains cannot be found. The exhumation and reburials are recognised on application and measured at cost.

#### **(iv) Educational assistance**

Educational assistance makes provision for higher and basic education.

### **2.2.3 Financial instruments**

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

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".

Financial assets 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 trade and other receivables are derecognised 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 debts seem irrecoverable.

The President's Fund utilizes 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 Trade and other payables**

Trade and other payables are recognised when creditors are identified and measured by the amount owing.

Other payables are derecognised when monies are paid to the creditors.

**2.5 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 and final reparation is paid to beneficiaries. This is measured in terms of regulations governing the payment of interim and final reparation and the amounts remain at an initial recognition.

## 2.6 Cash and cash equivalents

Cash and cash equivalents demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, and are disclosed under another category of financial instrument, depending on their nature as well as amounts included in commercial bank accounts.

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

The cash and cash equivalent is derecognised when cash has been finally used.

## 2.7 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 entity. Benefits or service potential will be required to settle the obligation. The President's Fund has identified two types of contingent liabilities: 1) people who were declared victims by the TRC and have not applied for reparation; 2) in respect of exhumations, reburials or symbolic burials made in respect of 40 politically executed prisoners in cases where the remains were already exhumed, handed over and reburied. These families will qualify once they have submitted the necessary application forms. It is uncertain whether these people will apply for reparation or reburial assistance. Contingent liabilities are included in the disclosure notes.

The basis for calculation of the first contingent liability is R30 000 being the fixed amount for final reparation and an average amount of R2 932 being the 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.

The basis for calculation of the second contingent liability in respect of exhumations, reburials or symbolic burials are determined by the date of the handover/reburial and prescribed by the regulations. 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).

## 2.8 Related parties

Related parties are recognised when they are being controlled by another entity and other entities are subject to common control. This 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.

## 2.9 Cash flow statement

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

## 2.10 GRAP 1 and GRAP 24 requires 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

31 MARCH 2019

	2019 R'000	2018 R'000
<b>3 Investment revenue</b>		
Interest received (fair value investments) - PIC	120 146	113 555
	<b>120 146</b>	<b>113 555</b>
<b>4 Surplus for the year</b>		
Operating profit has been determined after taking into account the following revenue and expenditure items:		
<b>Revenue</b>	<b>120 146</b>	<b>113 849</b>
Investment revenue ( <i>See Note 3</i> )	120 146	113 555
Unrealised profit/loss	0	294
<b>Less: Expenditure</b>	<b>11 236</b>	<b>13 065</b>
Bank charges	9	8
Basic educational assistance	9 464	11 019
Cleansing ceremony	10	0
Coffin, funeral items and accessories	140	0
Exhumation and reburials	685	1 143
Final reparation (new applications)	0	30
Interim reparation (new applications)	0	3
Management fees - PIC	928	862
<b>Surplus for the year</b>	<b>108 910</b>	<b>100 784</b>
<b>5 Trade and other receivables – Non-exchange transactions</b>		
Reparation payments recoverable:	0	0
Accounts receivable	277	277
Less: Provision for bad debts	-277	-277
	<b>0</b>	<b>0</b>

## 6 Financial investments at fair value

### 6.1 Public Investment Corporation

	2019 R'000	2018 R'000
Opening balance	1 486 959	1 407 250
Plus: Movement on trading cash	78 246	57 263
Less: Movement on unrealised profit	-294	-295
	<b>1 564 911</b>	<b>1 464 218</b>
<b>Financial investment as per PIC statement</b>	<b>1 564 911</b>	<b>1 464 218</b>

Investment revenue received during financial year	120 146	113 555
Unrealised profit/loss	0	294
Drawings during the year	-20 000	-12 000
Management expenses	-928	-862
Trading cash (classified as cash and cash equivalent)	-168 731	-78 246
<b>Closing balance</b>	<b>1 495 398</b>	<b>1 486 959</b>
<b>Fair value at acquisition date</b>	<b>1 495 398</b>	<b>1 486 959</b>

Unrealised profit/(losses) is the difference between "All-in market values" and the "Clean book value" plus "Market value interest".

All market value (Excluding Isibaya)	-1 489 397	-1 480 959
Clean book value (Excluding Isibaya)	1 444 540	1 444 354
Difference	-44 857	-36 605
Plus: Market value interest	44 857	36 311
<b>Unrealised profit/losses</b>	<b>0</b>	<b>-294</b>

### PIC Investments

Money Market 0 - 3 months	626 786	347 027
Money Market 3 - 6 months	457 977	649 632
Money Market 6 - 9 months	46 257	327 468
Money Market 9 - 12 months	358 378	156 832
Isibaya	6 000	6 000
	<b>1 495 398</b>	<b>1 486 959</b>

### 6.2 Total financial investments at fair value

	<b>1 495 398</b>	<b>1 486 959</b>
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2019	2018
R'000	R'000

## 7 Trade and other payables – Non-exchange transactions

Accruals	3 239	4 321
Unidentified funds	2	2
	<b>3 241</b>	<b>4 323</b>

## 8 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Cash on hand and balances with bank	3 981	1 920
Short-term investments – Trading cash	168 731	78 246
	<b>172 712</b>	<b>80 166</b>

The carrying amount of cash and cash equivalents approximates their fair value due to their short-term maturity.

## 9 Accumulated surplus

Opening balance at the beginning of the year	1 539 662	1 439 173
Unrealised profit movement	-294	-295
Surplus for the year	108 910	100 784
<b>Balance at the end of the year</b>	<b>1 648 278</b>	<b>1 539 662</b>

## 10 Cash generated from/(utilized in) operations

Cash receipts on behalf of beneficiaries	0	0
Cash paid to beneficiaries and creditors	-17 938	-10 370
<b>Net cash flows from operating activities</b>	<b>-17 938</b>	<b>-10 370</b>

## 11 Related party transactions

The Department of Justice and Constitutional Development is the principal related party and has under its control the President's Fund and Criminal Asset Recovery Account (CARA), the Third Party Fund, the Guardian's Fund, the National Prosecuting Authority (NPA), the Special Investigating Unit, the Legal Aid Board, Correctional Services, the Human Rights Commission, the Public Protector, and Office of the Chief Justice and Judicial Administration as entities. Other related parties include the Department of Higher Education and Training, the Department of Basic Education, and the National Student Financial Aid Scheme (NSFAS).

The inclusion of the expenditure of the TRC Unit is a result of the early implementation and adoption of the Accounting Standards Board (ASB) Generally Recognised Accounting Practice (GRAP) 20, while during the previous financial years the International Public Sector Accounting Standards (IPSAS) 20 were used. Although the President's Fund is exempted from this disclosure, the information is provided to give the reader of the report more information with regards to the cost incurred by the Department of Justice and Constitutional Development as part of its legal obligation towards the President's Fund. The costs disclosed are only direct costs.

### 11.1 Department of Justice and Constitutional Development

#### Relationship

All administration costs for the President's Fund and the implementation of the Truth and Reconciliation Commission recommendations are paid for by the Department of Justice and Constitutional Development.

	2019 R'000	2018 R'000
Compensation of employees – President's Fund Unit	2 451	2 192
Compensation of employees – Truth and Reconciliation Commission Unit	6 198	5 669
Goods and services – President's Fund Unit	30	150
Goods and services – Truth and Reconciliation Commission Unit	2 927	3 738
Audit fees	588	537
Printing fees	9	22
	<b>12 203</b>	<b>12 308</b>

### 11.2 Key management personnel

Compensation of employees – President's Fund Unit	1 058	905
Compensation of employees – Truth and Reconciliation Commission Unit	1 079	1 016
	<b>2 137</b>	<b>1 921</b>

### 11.3 Public Investment Corporation

#### Relationship

In terms of section 42 of the Promotion of National Unity and Reconciliation Act (Act No. 34 of 1995), the President's Fund invests its monies with the PIC. Details of the transaction values are as stated in notes 3, 4, 6 and 8.

### 12 Contingent liabilities

Victims identified by the TRC need to apply for reparations before they are recognised as creditors. An uncertainty exist as to how many victims may apply in the future. At 31 March 2019 the estimated amount is R140 517 891 in respect of 4267 beneficiaries, whereas as at 31 March 2018 the estimated amount was R140 517 891 in respect of 4267 beneficiaries. The basis for calculation of the contingent liability in respect of exhumations, reburials or symbolic burials are made in respect of 40 politically executed prisoners in cases where the remains were already exhumed, handed over and reburied. The amount payable is determined by the date of the handover/reburial. These families may qualify once they have submitted the necessary application forms. At 31 March 2019 the estimated amount is R725 605.50 for exhumation and reburial and R64 023.75 for cleansing ceremonies (animal).

### 13 Provisions

	2019 R'000	2018 R'000
Carrying amount at the beginning of the year	23 140	23 066
Exhumation and reburials: travel and accommodation	327	557
Payments on creditors list, higher educational assistance and exhumation and reburials	-6 876	-483
Carrying amount at the end of the year	<b>16 591</b>	<b>23 140</b>

The provisions are made in terms of section 47 of the Promotion of National Unity and Reconciliation Act (Act No. 34 of 1995).

### 14 Unrealised profit/loss

Unrealised profit/(losses) is the difference between "All-in market values" and the "Clean book value" plus "Market value interest".

All market value	-1 489 397	-1 480 959
Clean book value	1 444 540	1 444 354
Difference	-44 857	-36 605
Plus: Market value interest	44 857	36 311
Unrealised profit/loss	<b>0</b>	<b>-294</b>

### 15 Restatement of asset classification

Restatements of current assets

Prior year error: Financial investment at fair value classified as non-current assets instead of current assets.

#### Current assets

Financial investment at fair value	1 495 398	1 486 959
Cash and cash equivalents	172 712	80 166
Trade and other receivables – Non-exchange transactions	0	0
<b>Total assets</b>	<b>1 668 110</b>	<b>1 567 125</b>

**DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT  
PRESIDENT'S FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
31 MARCH 2019**

**16 Risk assessment**

**16.1 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.

**16.2 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 risks of fluctuations in interest rate risk.

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.

**16.3 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:

**16.4 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.

**16.5 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 the PIC, relative to the appropriate benchmark.

Furthermore, these investment mandates prescribe how the assets should be managed by the PIC, in line with the President's Fund's liquidity needs and its liability profile.

## 16.6 Credit risk

The President's Fund's investment portfolios are exposed to the potential for credit-related losses that can be the result of an individual, counterparty or issuer being unable or unwilling to honour contractual obligations.

To mitigate this risk and minimize excessive credit exposure to one single counterparty, the President's Fund's mandate to the PIC states that the 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.

## 16.7 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's current liquid asset holdings of less than 3 months maturity amount to R627 million of the total portfolio which ensures sufficient liquidity to pay out monies due to beneficiaries.

## 16.8 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 degree of management focus and resource allocation.

## 16.9 Concentration risk

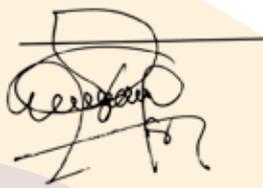
Concentration risk is the risk of losses arising from poor diversification within funds, which can result in undesirable risk exposures.

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.

### Acknowledgement

Our appreciation for the loyal support and valuable contributions of the various stakeholders is hereby acknowledged.

The Financial Statements set out on pages 16 to 30 have been approved by the accounting officer.



**Mr V Madonsela**  
**Accounting officer: President's Fund**  
**Date: 31 July 2019**





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