



THE PRESIDENT'S FUND
**ANNUAL
REPORT**
2016/2017



the doj & cd

Department:
Justice and Constitutional Development
REPUBLIC OF SOUTH AFRICA



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REPORT OF THE ACCOUNTING OFFICER ON THE ANNUAL FINANCIAL STATEMENTS OF THE PRESIDENT'S FUND FOR THE YEAR ENDED 31 MARCH 2017

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 for victims on the recommendation of the State President and the subsequent 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:

- A once-off individual grant of R30 000 to those individuals or survivors designated by the TRC.
- Systematic programmes 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 programmes to provide for medical benefits, educational 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, where communities suffered and are still in distress, and therefore there is a need for such communities to be rehabilitated through various programmes initiated and supported by the 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 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.

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

Medical and other forms of social assistance

Regulations on assistance to families of missing persons, whose remains were exhumed and reburied, were promulgated and gazetted on 07 May 2010. Assistance of R1 320 202 was granted

to families who applied for contributions towards re-burial expenses in terms of the regulations up to 31 March 2017. The regulations have since been amended to provide for, among other things, extended forms of assistance which include the following: travel and subsistence allowances for family members of a missing person or a deceased TRC victim in order 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 not exceeding R1 500,00 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 not exceeding R12 000,00. Amendments to the regulations are being considered to extend the nature of services being provided.

Regulations for both Basic and Higher Education commenced on 07 November 2014 to address educational support to TRC identified beneficiaries. A total amount of R5 247 299.36 was contributed towards the Department of Basic Education and R6 094 469.48 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 looking at possible amendments to the National Health Act, 2003, to provide free health services to the victims, their relatives and dependents. Changes were effected to the draft regulations to focus on special health services in line with the agreement reached between the Department of Justice and Constitutional Development and the Department of Health. The revised draft regulations were submitted to the said Department for comments. Due to the advent of the White Paper on National Health Insurance this process has been delayed as the proposed initiatives will automatically cover the identified TRC beneficiaries. 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. The Department of Justice is commencing with the housing needs analysis, the outcome of which will inform policy decisions on the scope of the housing assistance to be provided, the size of the house to be provided, criteria and conditions of assistance, and the role of the President's Fund. A policy on housing assistance for victims will be prepared in accordance with the data to assist in finalization of the draft regulations.

Rehabilitation of Communities

The Department of Justice and Constitutional Development conducted needs analyses in Alexandra, Mamelodi (Gauteng), Bambayi, Mpophomeni (KwaZulu-Natal), Tumahole, Thabong (Free State), Paballelo, Seoding (Northern Cape), Lulekani and Ga-Matlala (Limpopo), Maboloka, Taung (North West), Crossroads, Nyanga (Western Cape), Pabello, Seoding (Northern Cape), Ka-Nyamazane and Wesselton (Mpumalanga). The results of the needs analyses have been considered in the amendment of the draft regulations that will be finalized in the next financial year so as to guide the envisaged projects on community rehabilitation.

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, and the Fund utilises the Department's risk management approach, fraud prevention policy, and 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 utilize 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 promulgated regulations. Performance on TRC activities are reported on and audited in the Department of Justice and Constitutional Development annual report as appropriated.

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.

A handwritten signature in black ink, appearing to read 'V. Madonsela', is written over a horizontal line. The signature is stylized and somewhat cursive.

Mr V. Madonsela

Accounting Officer: President's Fund

30 July 2017



**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 2017.

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 meetings and three special meetings were held as indicated below.

Name of members	Numbers of meetings attended	Number of special meetings attended	Status
Mr. Motsamai Karedi (Chairperson)	4	3	Reappointed- 25 November 2015
Mr. Cedric Boltman	4	3	Reappointed- 25 November 2015
Ms. Besky Ngunjiri	4	1	Reappointed - March 2015
Mr. Wilson Ramabulana	4	3	Reappointed- 25 November 2015
Mr Andrew Sello	4	3	Reappointed- 25 November 2015

1.2 AUDIT COMMITTEE RESPONSIBILITY

1. We report that we have complied with its 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 this 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.

There has been an improvement in the risk maturity level within the Department that contributed to the effectiveness of controls.

1.4 INTERNAL AUDIT

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

The Internal Audit unit has discharged its responsibilities as per the internal audit charter and plans.

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 President's Fund for the year ended 31 March 2017.

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 and where concerns were raised management 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 Department's compliance with legal and regulatory provisions. We have also reviewed the Auditor-General South Africa's report, management letter and management's responses to it and the Audit Committee is satisfied with the contents thereof.



M Karedi

Chairperson of the Audit Committee

31 July 2017



**REPORT
OF THE
AUDITOR-
GENERAL TO
PARLIAMENT**

Report of the Auditor-General to Parliament on 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 17 to 27, which comprise of the statement of financial position as at 31 March 2017, and the statement of financial performance, and the statement of changes in net assets and the cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the President's Fund as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with the South African Standard of Generally Recognised Accounting Practice (SA Standards of GRAP).

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 my report.
4. I am independent of the Fund, in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional

Accountants (IESBA code), together with 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 code.

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

RESPONSIBILITIES OF 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 South African Standard of Generally Recognised Accounting Practice (SA Standards of GRAP), 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 a going concern and using the going concern basis of accounting unless the accounting officer 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 THE 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 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 the 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 the auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

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.

REPORT ON 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. I did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

OTHER INFORMATION

12. The President's Fund's accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes

the audit committee's report. The other information does not include the financial statements and the auditor's report thereon.

13. 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.
14. 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. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

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

Auditor - General

Auditor-General
Pretoria
31 July 2017



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 the financial statements as described in the 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 the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management, which in this case constitutes the accounting officer.
 - conclude on the appropriateness of the management, which constitutes 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 regarding 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 the auditor's report. However, future events or conditions may cause a Fund to cease to continue 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.

A tall stack of gold coins is the central focus, with a red and yellow geometric overlay consisting of overlapping circles and triangles. The text "FINANCIAL REPORTS" is centered over the stack.

FINANCIAL REPORTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 R'000	2016 R'000
Revenue			
Investment Revenue	3	115 232	86 174
Other Income: Financial Instruments	14	6 465	0
		121 697	86 174
Less: Expenditure	4	5 725	30 637
Surplus for the year		115 972	55 537

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Note	2017 R'000	2016 R'000
ASSETS			
Non-current assets		1 406 956	1 229 115
Financial investments at fair value	6	1 406 956	1 229 115
Current assets		57 552	120 218
Cash and cash equivalents	8	57 552	120 218
Trade and other receivables - Non exchange transactions	5	0	0
Total assets		1 464 508	1 349 333
LIABILITIES			
Total liabilities		25 630	26 427
Trade and other payables - Non exchange transactions	7	2 564	1 514
Provision	13	23 066	24 913
CAPITAL AND RESERVES			
Total net assets		1 438 878	1 322 906
Accumulated surplus	9	1 438 878	1 322 906
Total net assets and liabilities		1 464 508	1 349 333

STATEMENT OF CHANGES IN NET ASSETS AS AT 31 MARCH 2017

	Note	2017 R'000	2016 R'000
Accumulated Surplus			
Opening balance		1 322 906	1 267 369
Plus: Surplus for the year		115 972	55 537
Closing balance	9	1 438 878	1 322 906
Total net assets		<u>1 438 878</u>	<u>1 322 906</u>

CASH FLOW STATEMENT AS AT 31 MARCH 2017

	Note	2017 R'000	2016 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		0	0
Interest received	3	115 232	86 174
Other receipts (Unidentified fund)		1	1
Other Income: Financial Instruments	14	6 465	0
Suppliers (Management fees)		-802	-746
Other payments	10	-5 721	-6 351
Net cash flows from operating activities		115 175	79 078
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		-177 841	-5 952
Net cash flows from investing activities		-177 841	-5 952
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flows from financing activities		0	0
Net increase/ (decrease) in cash and cash equivalents		-62 666	73 126
Cash and cash equivalents at beginning of period	8	120 218	47 092
Cash and cash equivalents at end of period	8	<u>57 552</u>	<u>120 218</u>

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

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:

2.1.1.1 CONTINGENT LIABILITIES

The basis for the calculation of the contingent liability is R30 000 being a 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.

2.1.1.2 COMPLIANCE

The financial statements of the President's Fund have been prepared in accordance with the 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 each of the President's Fund's 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) Repairs

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 with regard to administrative expenses: bank charges, management fees and

service provider fees are recognised when received and measured at cost.

(iii) Exhumation and reburials

Financial assistance 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.

(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 the 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.

(iii) 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 the trade and other receivables is when recoveries are made or a write-off is approved.

2.3.1 WRITE-OFF AND PROVISION OF IRRECOVERABLE DEBTS POLICY

Provision for bad debts is made when a write-off has not been approved but the debt seems 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.

The derecognition of other payables are 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. The measurement is 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 equivalent demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value 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 derecognition of the cash and cash equivalent is when cash has finally been used.

2.7 CONTINGENT LIABILITIES

A contingent liability is a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation. 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 the calculation of the contingent liability is R30 000 being a 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. It will be derecognised when the President's Fund is dissolved and money is 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 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.

2.9 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 a 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 2017

	2017 R'000	2016 R'000
3. INVESTMENT REVENUE		
Interest received (Fair value investments) - PIC	115 232	86 174
	115 232	86 174
4. SURPLUS FOR THE YEAR		
Operating profit has been determined after taking into account the following revenue and expenditure items:		
Revenue	121 697	86 174
Investment Revenue - See note 3	115 232	86 174
Other income on Financial Instruments - See note 14	6 465	0
Less: Expenditure	5 725	30 637
Bank Charges	9	4
Basic Educational Assistance	4 549	3 260
Exhumation and Reburials	26	170
Final Reparation-(New Applications)	300	90
Higher Educational Assistance	0	26 350
Interim Reparation-(New Applications)	32	8
Management fees-PIC	802	746
Database Management Fees	7	9
Surplus for the year	115 972	55 537
5. TRADE AND OTHER RECEIVABLES - NON EXCHANGE TRANSACTIONS		
Reparation payments recoverable:	0	0
Accounts receivable	277	277
Less: Provision for bad debts	-277	-277
	0	0

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

	2017 R'000	2016 R'000
6. FINANCIAL INVESTMENTS AT FAIR VALUE		
6.1 Public Investment Corporation		
Opening balance as originally stated	1 345 324	1 269 896
Cost	<u>1 345 324</u>	<u>1 269 896</u>
Investment revenue received during financial year	1 15 232	86 174
Other Income: Financial Instruments (see note 14)	6 465	0
Drawings during the year	-2 000	-10 000
Management Expenses	-801	-746
Trading cash (classified as cash and cash equivalent)	-57 264	-116 209
Closing balance	<u>1 406 956</u>	<u>1 229 115</u>
Fair value at acquisition date	<u>1 406 956</u>	<u>1 229 115</u>
Unrealised profit/(losses) is the difference between "All-in market values" and the "Clean book value" plus "Market value interest".		
All Market Value	-1 401 250	-1 229 115
Clean Book Value	<u>1 360 909</u>	<u>1 197 693</u>
Difference	-40 341	-31 422
Plus: Market Value Interest	<u>40 046</u>	<u>31 422</u>
Unrealised Profit/ Losses	<u><u>-295</u></u>	<u><u>0</u></u>
PIC Investments		
Money Market 0 - 3 months	476 197	552 719
Money Market 3 - 6 months	523 224	390 731
Money Market 6 - 9 months	83 084	0
Money Market 9 - 12 months	267 067	285 665
Money Market 1 - 3 years	51 678	0
Isibaya	6 000	0
	<u>1 407 250</u>	<u>1 229 115</u>
6.2 Total financial investments at Fair value	<u><u>1 406 956</u></u>	<u><u>1 229 115</u></u>

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

	2017 R'000	2016 R'000
7. TRADE AND OTHER PAYABLES - NON EXCHANGE TRANSACTIONS		
Accruals	2 562	1 512
Unidentified	2	2
	2 564	1 514

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	288	4 009
Short-term investments- Trading cash	57 264	116 209
	57 552	120 218

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	1 322 906	1 267 369
Surplus for the year	115 972	55 537
Balance at the end of the year	1 438 878	1 322 906

10. CASH GENERATED FROM/(UTILIZED IN) OPERATIONS

Cash receipts on behalf of beneficiaries	0	0
Cash paid to beneficiaries and creditors	-5 721	-6 351
Net cash flows from operating activities	-5 721	-6 351

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), Third Party Fund, Guardian's Fund, National Prosecuting Authority (NPA), Special Investigating Unit, Legal Aid Board, Correctional Services, the Human Rights Commission, the Public Protector and Office of the Chief Justice and Judicial Administration as entities.

11.1 Department of Justice and Constitutional Development

Relationship:

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

Compensation of employees	2 152	1 382
Goods and services	183	34
	2 335	1 416

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

	2017 R'000	2016 R'000
11.2 Key management personnel		
Compensation of employees	961	629
Households	2	62
	<u>963</u>	<u>691</u>

11.3 Public Investment Corporation

Relationship:

In terms of Section 42 of the Promotion of National Unity and Reconciliation Act 34 of 1995, President's Fund invests their monies with PIC. Details of the transaction values as stated in note 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 exists as to how many victims may apply in the future. At 31 March 2017 the estimated amount is R140,550,791 in respect of 4268 beneficiaries, whereas as at 31 March 2016 the estimated amount was R140,883,081 in respect of 4278 beneficiaries.

13. PROVISIONS

Carrying amount at the beginning of the year	24 913	2 885
Movement for the year (Payments on Creditors)	-60	-15
Higher Education	-1 787	22 043
Carrying amount at the end of the year	<u>23 066</u>	<u>24 913</u>

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

14. OTHER INCOME: FINANCIAL INSTRUMENTS

Other Income	<u>6 465</u>	<u>0</u>
	<u>6 465</u>	<u>0</u>

This income relates to the recovery of the losses that occurred in the 2014/2015 financial year relating to the economic situation of African Bank Limited.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

15. RISK ASSESSMENT

15.1 BASIS OF PREPARATION

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 risks 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, 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 the President's Fund's 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 three months maturity amount to R476

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.

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 17 to 27 have been approved by the Accounting Officer.



Mr V. Madonsela

Accounting Officer: President's Fund

31 July 2017

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Area with horizontal dotted lines for notes.



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