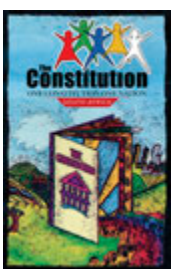
Guardian's Fund

ANNUAL REPORT | 2022-2023

the doj & cd

Department:
Justice and Constitutional Development
REPUBLIC OF SOUTH AFRICA



Guardian's Fund

ANNUAL REPORT

2022-2023

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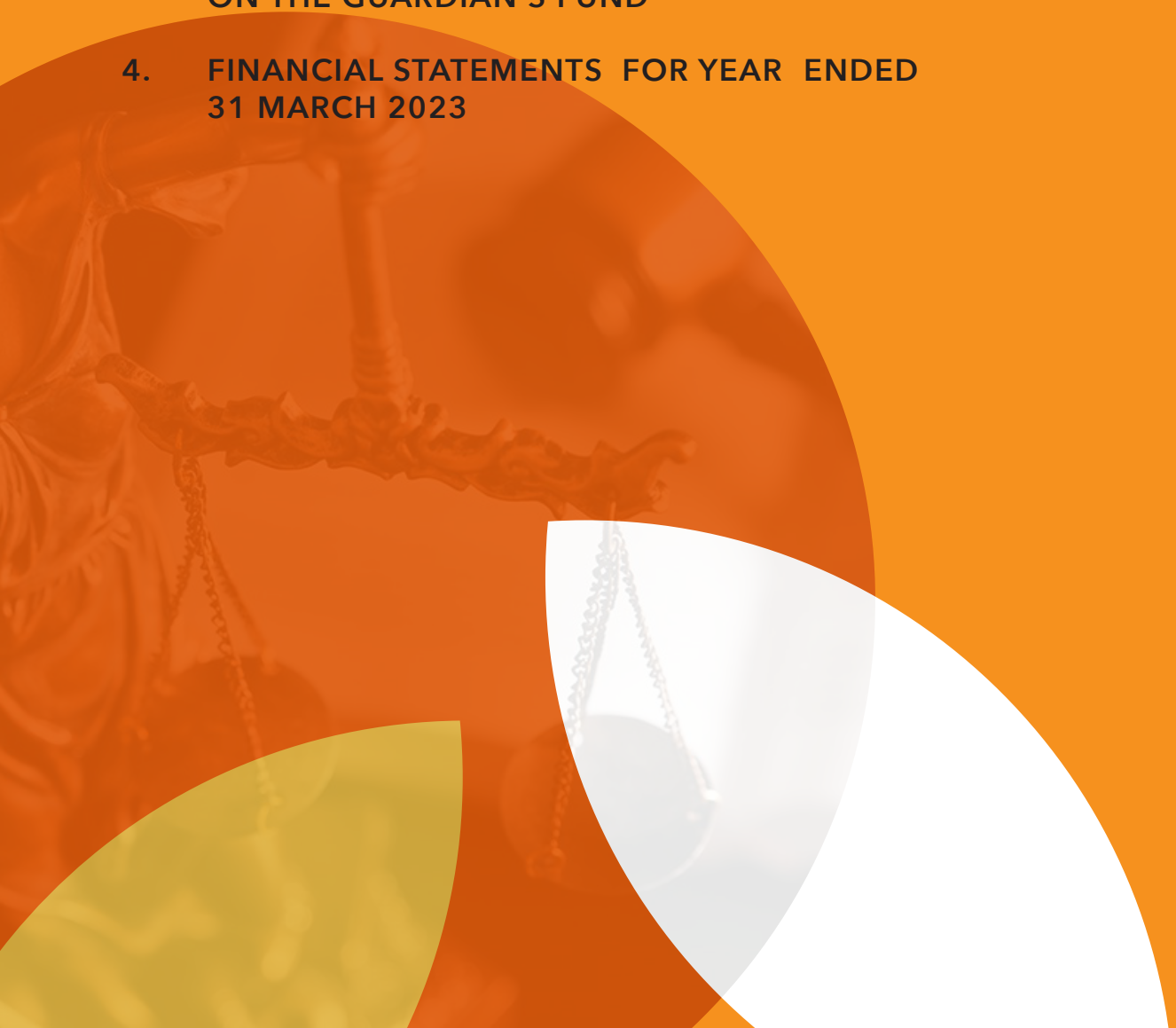


PART A | REPORT OF THE ACCOUNTING OFFICER

REPORT OF THE ACCOUNTING OFFICER ON THE ACTIVITIES OF THE GUARDIAN'S FUND FOR THE YEAR ENDED 31 MARCH 2023

1. Introduction

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

The purpose of the GF is to protect and manage monies of persons deemed to be legally incapable or of inadequate capacity to manage their own affairs as well as undetermined, unknown or absent heirs and untraceable persons.

The GF is held under management of the Master of the High Courts of South Africa. Whenever any money is received or accepted by the Master, he opens an account in the name of the person to whom the money belongs or in the name of the estate of which the money forms part. The Master, on application of any person who has become entitled to receive money from the Fund, pays that money to the applicant.

Funds are invested with the Public Investment Corporation (PIC). The GF is pleased to report that in the 2022/2023 year the Fund generated more than R1.16 billion in investment income and was able to pass an additional 115 basis points (above the market interest rate) for the year under review to the beneficiaries.

The rate of interest allocated to interest-earning accounts within the Guardian's Fund was 5.4% per annum for the financial year under review.

2. Core service delivery environment

The GF has representation in six Masters' offices, namely: Pretoria, Cape Town, Pietermaritzburg, Makhanda, Bloemfontein and Kimberley. Furthermore, magistrate's courts are service points to the Masters' services in the form of reporting estates. There are processes underway of opening the seventh GF office in Mpumalanga.

The GF has service points throughout the country to improve customer interaction and accessibility of services, thereby relieving the financial burden on the vulnerable beneficiaries having to travel long distances to the Masters' offices to submit their applications.

All GF offices utilise an approved electronic payment system and have achieved 100% EFT payment transactions for the 2022/2023 financial year, which enhances the turnaround time in payment of benefits.

The GF embarked on a system-modernisation project and the pilot did not commence on 1 June 2022 as envisaged. This pilot is planned to take place at the Kimberley Master's Office in quarter 2 of the 2023/2024 financial year. The configuration and customisation have been completed. However, the testing of the new administration and financial system is in progress.

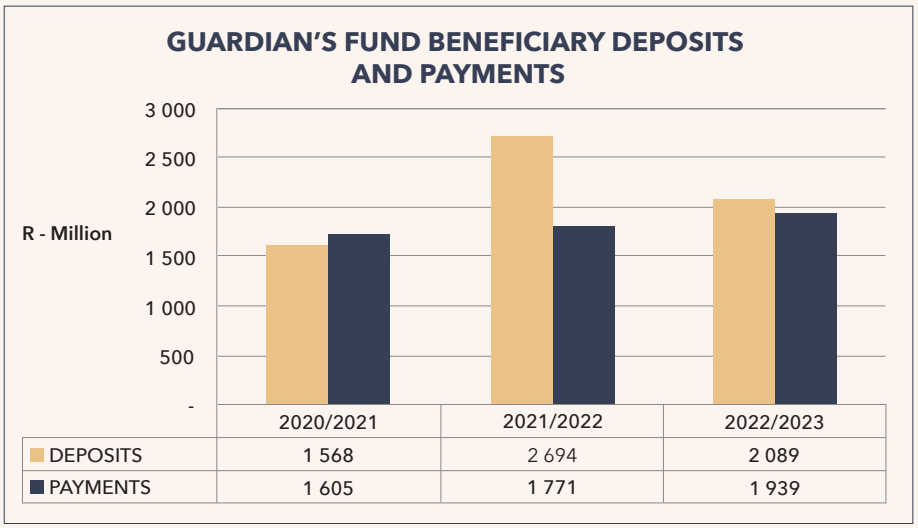
3. Unclaimed monies

As per the Administration of Estates Act, any beneficiary funds which remained unclaimed for a period of 30 years, as from the date upon which the beneficiaries became entitled to the said monies, are to be forfeited to the National Revenue Fund. The Office of the Chief Master (OCM) is committed to a project to further advance outreach and communication to the public to ensure that beneficiaries are traced and benefits paid. In the current year, more than 100 outreaches were held by the Masters' Offices countrywide, which included information on all OCM services including Guardian's Fund.

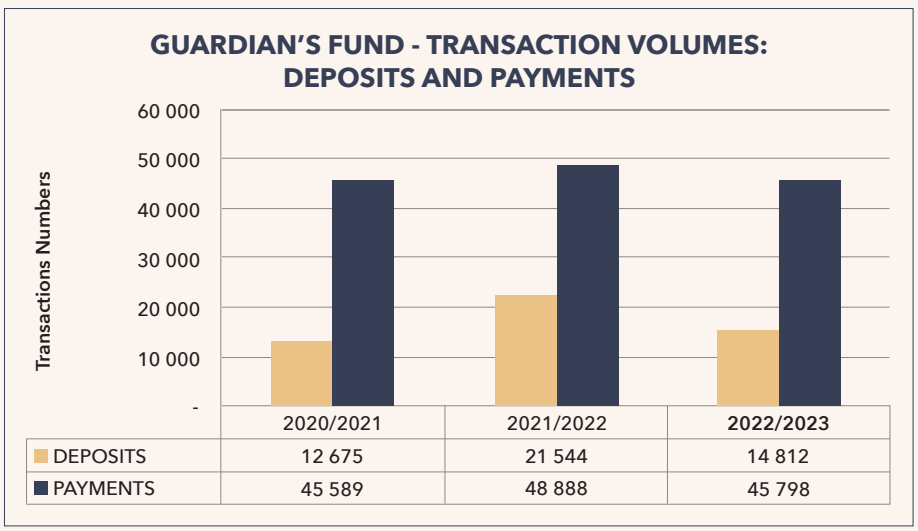
4. Growth of beneficiary liability

As disclosed in more detail in the annual financial statements on pages 15 to 38, the Fund continues to show positive growth in the volume of transactions handled as well as in the total funds under management.

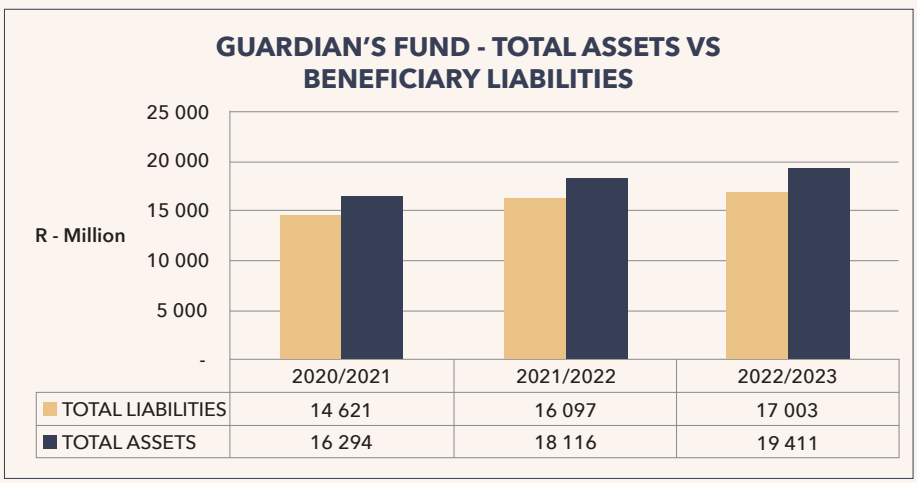
The graphs below depicts the performance of the Fund in terms of rand value, number of transactions processed and total assets vs beneficiary liabilities.



	2020/2021	2021/2022	2022/2023
DEPOSITS	1 568	2 694	2 089
PAYMENTS	1 605	1 771	1 939



	2020/2021	2021/2022	2022/2023
DEPOSITS	12 675	21 544	14 812
PAYMENTS	45 589	48 888	45 798



	2020/2021	2021/2022	2022/2023
TOTAL LIABILITIES	14 621	16 097	17 003
TOTAL ASSETS	16 294	18 116	19 411

5. Fraud prevention and detection

The GF adopts a zero-tolerance policy with regard to fraud and corruption and as such has a fraud-prevention strategy as well as a fully functional and capacitated forensic directorate within the Department of Justice and Constitutional Development which ensures that all fraud and loss matters, as well as potential maladministration, are investigated and, in some instances, matters are referred to other law-enforcement agencies for further processing in an effort to hold those responsible accountable.

The GF also performs a risk assessment annually, to identify and address any emerging risk areas, to ensure the integrity and safety of the beneficiary funds within the GF.

Notwithstanding the existing fraud strategies, the Guardian's Fund experienced a fraud incident in its Pietermaritzburg office, where an amount of R17.8 million was stolen in April 2023. Upon discovery of this incident, an Internal Forensic Investigation was conducted whereby 4 officials were identified as suspects. The 4 officials were placed on precautionary suspension pending the finalisation of all other investigations that were immediately launched. The matter was also reported to the South African Police Service and criminal investigations commenced in earnest. The investigations have thus far assisted in securing an amount of R8.9 million through preservation orders with the assistance of law-enforcement agencies. The law-enforcement agencies are still continuing to investigate this fraud case and it is believed that the remaining balance will be recovered through the criminal procedures that have been initiated. This fraud incident was reported in the Guardian's Fund annual financial statements for the year ended 31 March 2023 as a non-adjusting post balance sheet event.

6. Material Irregularity

On 27 July 2023, the Auditor General of South Africa (AGSA) issued a notice of material irregularity pertaining to an amount of R7.2 million which was a duplicate payment made to the Guardian's Fund beneficiaries during the 2021/2022 financial year.

As at the reporting date, the Department had managed to recover R3.6 million of the aforementioned amounts. The balance is still in the process of being recovered.

AGSA is of the view that the duplicate payments made to the beneficiaries are in contravention of section 89 of the Administration of Estates Act. The Department, however, maintains that these payments were rather as a result of negligence of officials who processed these transactions, as informed by the investigation report. The Department will make the required submission in terms of the Material Irregularity Regulations issued in terms of the Public Audit Act, 2004 (Act 25 of 2004) and await further assessment by AGSA on the progress made in the implementation of consequence management as well as recovery commitments.

7. Investment Management

The Office of the Chief Financial Officer, with assistance from the OCM, is responsible for formulation and supervision of the mandate given to the Investment Manager (the Public Investment Corporation). With a balance sheet of over R18.9 billion rand in investable assets and still increasing, the stewardship of GF assets is a challenging and complex endeavour.

8. Acknowledgement

My appreciation towards the loyal support and valuable contributions of the various stakeholders is hereby acknowledged.

9. Approval

The annual financial statements as set out on pages 15 to 38 have been approved by the Accounting Officer.

Adv. Doc Mashabane
Director-General
Department of Justice and Constitutional Development

31 July 2023

FINAL REPORT OF THE AUDIT COMMITTEE ON GUARDIANS FUND FOR THE YEAR ENDED 31 MARCH 2023

1. Report of the audit committee

We are pleased to present our report for the financial year ended 31 March 2023.

1.1 Audit committee members and attendance

The Audit Committee consisted 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 four (04) meetings and 2 special meetings were held as indicated below:

Name of members	Number of meetings attended	Number of special meetings attended	Status
Ms. Besky Maluleka-Ngunjiri (Chairperson)	4	2	Appointed 01/10/2021
Mr Eric Nwedo	4	2	Appointed 01/10 /2021
Mr Mohololа Johannes Makgokolla	4	2	Appointed 01/10 /2021
Ms Gabisile Simelane	4	2	Appointed 01/10 /2021
Mr. Ashley Latchu	4	2	Appointed 01/10 /2021
Dr Lebogang Mphahlele-Ntsasa	4	2	Appointed 01/10 /2021
Mr Thabo Sakasa	2	0	Resigned 30/06//2022

1.2 Audit committee responsibility

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

1.3 The effectiveness of internal control

The Audit Committee is satisfied that key controls remained in place throughout the financial year and that there have been no material findings reported.

The Audit Committee is also pleased to report that the Guardians Fund has sustained the achievement of positive audit outcomes.

1.4 Internal Audit

The Department of Justice and Constitutional Development's Internal Audit Unit is responsible for the review of Guardians Fund and the Unit has also discharged its responsibilities as per the Internal Audit plan.

1.5 Reports

1.5.1 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.

1.5.2 Evaluation of financial statements

We have reviewed and discussed the audited annual financial statements with the management and also reviewed the Department's compliance with legal and regulatory provisions. We have also reviewed the Auditor-General South Africa's report and management letter and management's responses to thereto.

The Audit Committee has noted a material irregularity process which the AGSA has initiated on the Fund and will monitor the process until the matter is resolved.

1.6 Auditor-General South Africa

The Audit Committee concurs and accepts the conclusions of the Auditor General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

B Maluleka-Ngunjiri
Chairperson of the Audit Committee

31 July 2023

PART C | REPORT OF THE AUDITOR GENERAL

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

Report on the Audit of the Financial Statements

Opinion

1. I have audited the financial statements of the Guardian's fund set out on pages 15 to 38, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Guardian's fund as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the general notice issued in terms of the Public Audit Act 25 of 2004 (PAA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the fund in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards) (IESBA code)* as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures.

7. As disclosed in note 16 to the financial statements, the corresponding figures for 31 March 2022 were restated as a result of an error in the financial statements of the fund at, and for the year ended, 31 March 2023.

Responsibilities of the accounting officer for the financial statements

8. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the general notice issued in terms of the PAA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, the accounting officer is responsible for assessing the fund's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the fund or to cease operations or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the audit of the annual performance report

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

Report on compliance with legislation

13. The fund does not fall within the ambit of the PFMA, therefore no legislation requirements were subject to audit, as set out in the general notice issued in terms of the PAA.

Other information in the annual report

14. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, and the auditor's report.

15. My opinion on the financial statements, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

16. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

17. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

18. I considered internal control relevant to my audit of the financial statements; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Material irregularities

19. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

Material irregularities in progress

20. I identified a material irregularity during the audit and notified the accounting officer of this, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting officer was not yet due. This material irregularity will be included in next year's auditor's report.

Auditor General

Pretoria

31 July 2023

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- the auditor-general's responsibility for the audit

Auditor-General's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements.

Financial statements

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

Communication with those charged with governance.

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

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

PART D | FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2023

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	SOUTH AFRICA
AUDITORS	AUDITOR-GENERAL OF SOUTH AFRICA REGISTERED AUDITORS

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THE REPORTS AND STATEMENTS SET OUT BELOW COMPRISE THE ANNUAL FINANCIAL STATEMENTS:

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ABBREVIATIONS USED:

SAPS	SOUTH AFRICAN POLICE SERVICE
GF	GUARDIAN'S FUND
PIC	PUBLIC INVESTMENT CORPORATION
NRF	NATIONAL REVENUE FUND
PMB	PIETERMARITZBURG

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The Accounting Officer is required by the Public Finance Management Act, 1999 (Act 1 of 1999) to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

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

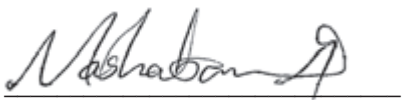
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Fund and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Fund and all employees are required to maintain the highest ethical standards in ensuring the Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. While operating risk cannot be fully eliminated, the Fund endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

The annual financial statements set out on page 17, which have been prepared on a going concern basis, were approved and signed by the Accounting Officer on 31 May 2023.



Adv. Doc Mashabane
Director-General
Department of Justice and Constitutional Development

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Note(s)	2023 R '000	2022 Restated* R '000
Assets			
Current Assets			
Cash and cash equivalents	3	481 740	604 135
Receivables from exchange transactions	4	917	457
PIC Investments	5	18 924 604	17 507 498
Receivables from non-exchange transactions	6	3 780	4 135
		19 411 041	**18 116 225**
Total Assets		**19 411 041**	**18 116 225**
Liabilities			
Current Liabilities			
Beneficiary liabilities	7	1 869 289	1 769 600
NRF payables	8	9 722	10 111
		1 879 011	**1 779 711**
Non-Current Liabilities			
Beneficiary liabilities	7	15 124 248	14 317 674
Total Liabilities		**17 003 259**	**16 097 385**
Net Assets		**2 407 782**	**2 018 840**
Total Net Assets and Liabilities		**19 411 041**	**18 116 225**

STATEMENT OF FINANCIAL PERFORMANCE PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2023

	Note(s)	2023 R '000	2022 Restated* R '000
Revenue from exchange			
Interest Income - Investments	9	1 160 144	776 719
Revenue from non-exchange			
Service in kind	18	83 993	80 997
Expenses			
Service in kind	18	(83 993)	(80 997)
Management fees	10	(5 328)	(4 885)
Operating surplus		**1 154 816**	**771 834**
Gain on fair value adjustments	11	-	129 096
Interest earned by beneficiaries	12	(765 874)	(560 401)
Surplus for the year		**388 942**	**340 529**

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2023

	Accumulated surplus / deficit R '000	Total net assets R '000
Balance at 01 April 2021	**1 673 054**	**1 673 054**
Changes in net assets		
Surplus for the year	339 924	339 924
Total changes	339 924	339 924
Opening balance as previously reported	2 012 977	2 012 977
Adjustments Prior period error 16	5 863	5 863
Restated* balance at 01 April 2022 as restated*	**2 018 840**	**2 018 840**
Changes in net assets		
Surplus for the year	388 942	388 942
Total changes	388 942	388 942
Balance at 31 March 2023	**2 407 782**	**2 407 782**

Note(s)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

	Note(s)	2023 R '000	2022 Restated* R '000
Cash flows from operating activities			
ABSA Interest received		6 881	4 840
Monies recovered - Receivables from non-exchange		355	6 433
Net cash flows from operating activities		**7 236**	**11 273**
Cash flows from investing activities			
Purchase of financial assets		(387 900)	(931 000)
Proceeds from sale of financial assets		182 000	30 000
Movement in trading cash		(63 732)	(165 432)
Net cash flows from investing activities		**(269 632)**	**(1 066 432)**
Cash flows from financing activities			
Proceeds from beneficiary liabilities		2 088 962	2 694 582
Repayment of beneficiary liabilities		(1 939 100)	(1 771 028)
Movement in beneficiary liability		-	3 621
Movement in NRF liability		(9 863)	(6 356)
Net cash flows from financing activities		**140 000**	**920 818**
Net increase/(decrease) in cash and cash equivalents		**(122 396)**	**(134 341)**
Cash and cash equivalents at the beginning of the year		604 135	738 476
Cash and cash equivalents at the end of the year	**3**	**481 739**	**604 135**

ACCOUNTING POLICIES

1. Presentation of annual financial statements

The Guardian's Fund is a statutory trust established in terms of Chapter V of the Administration of Estates Act, 1965 (Act 66 of 1965).

The purpose of the Guardian's Fund is to protect and manage monies of persons deemed to be legally incapable or lacking the capacity to manage their own affairs as well as undetermined, unknown or absent heirs and untraceable persons.

The Guardian's Fund is held under management of the Masters of the High Court of South Africa.

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

In the absence of an issued and effective standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5, issued by the Accounting Standards Board (ASB). Please refer to note 1.8, Non-contractual liabilities.

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, is disclosed below. These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Guardian's Fund.

1.2 Going concern assumption

These annual financial statements have been prepared based on the assumption that the Guardian's Fund will continue to operate as a going concern for the next 12 months.

1.3 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.

1.4 Investments

The classification depends on the purpose for which the financial assets were acquired, and is determined by management at the initial recognition of the financial assets. Investments are classified at fair value and consist of a portfolio of money market instruments. Money market investments were designated at fair value as these instruments are non-derivative instruments and payments can be determined by the Fund.

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 changes in net assets as "other operating income" when the right of the payment has been established.

Financial assets, other than those at fair value through surplus or deficit (FVTSD), 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 Guardian's Fund commits to purchase or sell the asset.

(ii) Initial recognition of investments

The classification of investments at initial recognition depends on the purpose for which the investments were acquired and their characteristics. All investments are measured initially at their fair value, and transaction costs on investments at fair value.

(iii) Subsequent measurement

Investments 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

Investments are derecognised when the contractual agreement in respect of the financial assets is terminated.

Gains and losses

A gain or loss arising from a change in the fair value of financial asset measured at fair value shall be recognised in surplus or deficit.

1.5 Cash and cash equivalents

Demand deposits and other short-term highly liquid investments 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 investment, depending on the nature.

Cash and cash equivalents comprise cash deposited with financial institutions and other short-term liquid investments with original maturities of three months or less. Cash deposits are measured at amortised cost.

1.6 Receivables from exchange transactions

(i) Initial recognition

These are various amounts that are owed to the Fund arising from its day-to-day operations. Other receivables are measured at initial recognition at fair value.

(ii) Subsequent recognition

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Subsequently, these are reported at amortised cost.

(iii) Derecognition

Other receivables are derecognised when they are fully paid or when there is objective evidence that the amounts will not be collectible.

1.7 Receivables from non-exchange transactions

(i) Initial recognition

These are various amounts that are owed to the Fund arising from current fraud and losses. Other receivables are measured at initial recognition at fair value.

(ii) Subsequent recognition

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Subsequently, these are reported at amortised cost.

(iii) Derecognition

Other receivables are derecognised when they are fully paid or when there is objective evidence that the amounts will not be collectible.

1.8 Non-contractual liabilities

The Guardian's Fund does not have financial liabilities. The beneficiary liability and the NRF payable are both liabilities that arise as a result of section 86 of the Administration of Estates Act, 1965 (Act 66 of 1965). In terms of section 86, funds can only be deposited and accepted in the Guardian's Fund if such deposit is authorised by law or ordered by the court.

NRF payables arise as a result of section 92 of the Administration of Estates Act, 1965 (Act 66 of 1965).

The ASB (Accounting Standards Board) has not developed a standard that deals with non-contractual liabilities; therefore, the Guardian's Fund recognises and measures the beneficiary liability and NRF payable in line with the ASB's conceptual framework as per GRAP 1.

(i) Initial recognition

The non-contractual liability is initially recognised at amortised cost at the date of receipt of the monies due by the Fund to external parties.

(ii) Subsequent measurement

After initial recognition, the liability is measured at amortised cost less impairment losses, after taking into account the provisions of the Administration of Estates Act, 1965 (Act 66 of 1965).

(iii) Derecognition

The non-contractual liability is derecognised when the obligation by the Guardian's Fund to the external parties has been extinguished.

1.9 Revenue from exchange transactions

The Guardian's Fund recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Fund and specific criteria in terms of the Estates Act, 1965 (Act 66 0f 1965) have been met.

Interest income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and 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

1.10 Expenditure

(i) Administration expenditure

Disbursements in respect of administrative expenses: management fees are recognised when they accrue and are measured at cost.

1.11 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 the financial affairs of the Fund.

1.12 Interest earned by beneficiaries

(i) Initial recognition

Interest earned is an expense that represents monies earned by the beneficiaries of the Fund. It is credited to the beneficiary accounts through the GFS. Interest is accrued from the next calendar month after receipt date up to five years after it has become claimable, unless it is legally claimed before such expiration.

(ii) Subsequent recognition

Interest earned is adjusted in retrospect every year because of the verification process and other adjustments to beneficiary balances.

1.13 Materiality

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

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

1.14 Prior period error

The Fund shall correct material prior period errors retrospectively. The annual financial statements must indicate the restated comparative amounts in which the error occurred. If the error occurred before the prior period presented, the Fund will restate the opening balance of the assets, liabilities and net assets of the prior period.

1.15 Events after reporting date

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

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

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

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

1.16 Revenue from non-exchange

Revenue consists of gross inflows of economic benefits or service potential received by an entity.

Non-exchange transactions are transactions where an entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

The Guardian's Fund is administered by the Department of Justice and Constitutional Development as such administration costs, including salaries of officials administering the Fund, are incurred by the Department. The services provided by these employees include managing the day-to-day operations of the Fund. The Guardian's Fund has assessed the services provided as being significant as these are integral to its operations and service delivery objectives.

(i) Initial recognition

These are personnel costs for employees directly performing operations solely for the Guardian's Fund which are paid for by the Department of Justice and Constitutional Development. These amounts are recognised as service in kind in the books of the Fund.

(ii) Subsequent measurement

Appropriate costs of the services in kind are recognised in profit or loss.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	2023 R '000	2022 R '000

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Impact is currently being assessed
• GRAP 21: The Effect of Past Decisions on Materiality being assessed	01 April 2023	Impact is currently being assessed
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Impact is currently being assessed
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Impact is currently being assessed

3. Cash and cash equivalents

Cash and cash equivalents consist of:

ABSA current bank account	180 549	239 212
Trading cash - PIC	301 191	364 923
	481 740	**604 135**

4. Receivables from exchange transactions

ABSA Accrued Interest	917	457

These amounts relate to interest that is receivable from ABSA current account for the month of March 2023.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	2023 R '000	2022 R '000
5. PIC Investments		
Designated at fair value through surplus and deficit		
Money Market Instruments	**18 924 604**	**17 507 498**
Opening balance	**17 507 498**	**15 545 081**
Investment income received during financial year	1 153 906	771 170
Additions during the year	387 900	931 000
Disposals during the year	(182 000)	(30 000)
Trading cash movement	63 732	165 432
Management expenses	(5 328)	(4 885)
Interest adjustment	(1 104)	604
Fair value adjustments		129 096
	18 924 604	**17 507 498**
PIC Investments		
Money Market 0 - 3 months	**8 273 374**	**8 093 302**
Money Market 9 - 12 months	**10 185 497**	**8 829 988**
Loans Instruments	**465 733**	**584 208**
	18 924 604	**17 507 498**
6. Receivables from non-exchange transactions		
Loss recoverable	**3 780**	**4 135**

This amount relates to fraud and duplicate payments that the Fund is currently recovering.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	2023 R '000	2022 *Restated R '000
7. Beneficiary liability		
Non-current liabilities		
At amortised cost	15 124 248	14 317 674
Current liabilities		
At amortised cost	1 869 289	1 769 600
Opening balance	16 087 275	14 616 105
Monies received during financial year	2 088 962	2 694 581
Payments to beneficiaries	(1 939 100)	(1 771 028)
Transfer to NRF 30 year	(9 468)	(11 140)
Beneficiaries cards adjustments	-	(1 638)
5% Commission payable to NRF	(6)	(6)
Interest earned by beneficiaries	765 874	560 401
	16 993 537	**16 087 275**
Beneficiary liability		
Interest bearing beneficiary monies	15 820 695	14 919 853
Non-interest bearing beneficiary monies (no commission)	786 379	786 028
Non-interest bearing beneficiary monies (commission)	308 485	300 593
Unallocated beneficiary monies	78 538	81 361
Beneficiary monies - allocation account	(613)	(613)
Accrued beneficiary liability	53	53
	16 993 537	**16 087 275**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	2023 R '000	2022 *Restated R '000
8. NRF payables		
NRF payable		
Opening balance	10 110	5 320
5% commission	6	6
30 year - beneficiary monies	9 468	11 140
	19 584	16 466
Less: NRF liability paid during financial year	(9 863)	(6 356)
Closing balance	**9 721**	**10 110**
9. Interest income - investments		
Interest revenue	1 153 906	771 775
PIC	7 342	4 944
ABSA current account	(1 104)	-
PIC interest adjustment	**1 160 144**	**776 719**

The interest adjustment above is as a result of the transaction with the African Bank Limited (ABL), which underwent curatorship and debt restructuring after defaulting in 2014. Post the final loan settlement in December 2022, the Public Investment Corporation SOC Ltd (PIC) had to rectify misstatements in clients' portfolio accounts from the lump-sum payments.

10. Management fees		
Management fees	**5 328**	**4 885**

Investment management fees - PIC investment fees are payable to the PIC Limited for managing the Guardian's Fund investments in terms of the investment management agreement.

11. Gain/(Loss) Fair value Adjustments		
PIC Investment		
Fair value Adjustment	**-**	**129 096**

There was no fair value adjustment in the current year.

12. Interest earned by beneficiaries		
Interest earned by beneficiaries	**765 874**	**560 401**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	2023 R '000	2022 *Restated R '000
13. Cash generated from operations		
Surplus	388 942	340 529
Adjustments for:		
Add: Fair value adjustments	-	(129 096)
Add: Interest earned by beneficiaries	765 874	560 401
Interest income	(1 152 802)	(771 775)
Management fees	5 328	4 885
Changes in working capital:		
Receivables from exchange transactions	(461)	(104)
Other receivables from non-exchange transactions	355	6 433
	7 236	**11 273**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	2023 R '000	2022 R '000

14. Related parties

The Guardian's Fund is administered by the Department of Justice and Constitutional Development; as such, administration costs, including salaries of officials administering the Fund, are incurred by the Department.	
Relationships	
Controlling entities under common control	In light of the Department of Justice and Constitutional Development being the administrator, the Fund is considered related to other entities under common control, namely: The President's Fund, the Justice Administrated Fund (JAF), the Special Investigation Unit and Legal Aid South Africa. There are no transactions or balances with these entities in the year under review.
Parliament is the ultimate controlling entity	Parliament has the power to govern and influence the functions and policies of the Guardian's Fund (GF), and is consequently a related party to the entity, along with other entities and departments within the national sphere of government.
The Public Investment Corporation Limited (PIC)	In terms of section 87 of the Administration of Estates Act, 1965 (Act 66 of 1965), beneficiary monies received in the Guardian's Fund should be invested with the PIC. Details of transaction values are stated in notes 4, 8 and 9.
Members of the key management	Key management includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Fund, as listed below, and their salaries are paid by the Department.
Administration Support	These officials are not exclusively performing duties related to this Fund alone. They are employees of the Department and also perform other duties related to the Department.

Key management information*		
Class*	**Description**	**Number**
Director General	Level 16	1
Chief Master and Chief Financial Officer	Level 15	2
Chief Director	Level 14	3
Masters and Director	Level 13	6

***Details following**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	2023 R '000	2022 R '000

14. Related parties (continues)

Remuneration of management

Key personnel costs disclosed as

2023

Name	Basic salary	Other benefits received	Total
Director General – Adv Doc Mashabane	1 447	849	2 296
Chief Master – Martin Mafojane (till Jan 2023)	927	454	1 381
Chief Financial Officer – Rofhiwa Irene Singo	1 235	551	1 786
Chief Director: Third Party Funds – Bheki Mathunjwa	986	444	1 430
Chief Director: Strategy – Kanyane Mathibe (from November 2022)	372	166	538
Masters Pretoria – Penelope Nonhlanhla Roberts (Acting Chief Master from February 2023)	773	353	1 126
Masters Makhanda – Euphemia Daniels	846	384	1 230
Masters Cape Town – Zureena Agulhas	758	602	1 360
Masters Bloemfontein – Jan du Plessis	911	412	1 323
Masters Kimberly – Craig Davids	834	418	1 252
Director: Guardians Fund – Maletsatsi Marake (from December 2022)	257	112	369
	9 346	**4 745**	**14 091**

2022

Name	Basic salary	Other benefits received	Total
Director General – Adv Doc Mashabane	1 406	935	2 341
Chief Master – Martin Mafojane	1 081	593	1 674
Chief Financial Officer – Nelisiwe Pule (Acting from Dec 2021)	-	31	31
Chief Director Office of the Chief Master – Theresia Bezuidenhout	883	759	1 642
Chief Director Third Party Funds – Bheki Mathunjwa (from Feb 2022)	93	80	173
Chief Director Third Party Funds – Johan Johnson (till June 2021)	258	534	792
Masters Pretoria – Penelope Nonhlanhla Roberts	821	496	1 317
Masters Makhanda – Euphemia Daniels	751	522	1 273
Masters Cape Town – Zureena Agulhas	747	698	1 445
Masters Bloemfontein – Jan du Plessis	808	521	1 329
Masters Kimberly – Craig Davids	885	490	1 375
	7 733	**5 659**	**13 392**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	2023 R '000	2022 R '000
15. Disallowance account (Fraud and losses)		
Opening balance	14 403	20 686
Current year fraud cases	845	7 235
Current year losses	35	205
Finalised cases - Investigation finalised	(1 588)	(13 723)
	13 695	**14 403**

A loss control officer keeps a register, in which particulars of all losses are recorded; for instance, steps taken, amount recovered or not recovered and how the matter has been disposed of, must be recorded in this register. Every year the note is updated with the movement in the register.

16. Prior period error

During the year under review, the Fund identified misclassification relating to prior year and presentation errors, which were corrected on the statement of financial position and cash flow statements as follows:

Money market instrument which was initially disclosed as cash and equivalent was reclassified to PIC investment. Interest adjustments that were made on financial instruments were also adjusted. Information about the changes came after the reporting date.

There were other disclosures that were made to ensure fair presentation on the related party transaction and on current and non-current liabilities on the money received on behalf of beneficiaries.

Incorrect liability allocations discovered in the current year and relating to the prior year are allocated in the year in which they occurred.

The cash flow statement has been updated to reflect more closely the requirement of GRAP 2. Non-cash items have been removed to only reflect those items that have an impact on the Guardian's Fund's cash position.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	2023 R '000	2022 R '000

16. Prior period error (continued)

2021

	Note		As previously reported	Re- classification	Restated
PIC investments	5		15 525 002	20 079	15 545 081
Cash and cash equivalents	3		758 556	(20 079)	738 477
			16 283 558	**-**	**16 283 558**

2022

	Note	As previously reported	Correction of error	Re- classification	Restated
PIC investment	5	17 486 806	604	20 088	17 507 498
Beneficiary liabilities	7	(16 092 533)	5 259	14 317 674	(1 769 600)
Beneficiary liabilities (non-current)		-	-	(14 317 674)	(14 317 674)
Cash and cash equivalents	3	624 223	-	(20 088)	604 135
		2 018 496	**5 863**	**-**	**2 024 359**

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Restated
Interest received - investment		**776 114**	**604**	**776 718**

Related party

2022

	As previously reported	Correction of error	Restated
Director General - Adv Doc Mashabane		2 341	2 341

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	2023 R '000	2022 R '000

16. Prior period error (continued)

Cash flow statement

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities Cash receipts on behalf of beneficiaries		(774 728 516)	774 728 516	-
Investment income received		775 657 002	(775 657 002)	-
Cash paid to beneficiaries and creditors		566 756 915	(566 756 915)	-
Interest paid to beneficiaries		(560 400 539)	560 400 539	-
Creditor payments		(636 172)	636 172	-
ABSA interest received		-	4 840	4 840
Monies recovered - Receivables from non-exchange.		-	6 433	6 433
		6 648 690	**(6 637 417)**	**11 273**
Cash flow from investing activities Purchase of financial assets		-	(931 000)	(931 000)
Proceeds from sale of financial assets		-	30 000	30 000
Movement in trading cash		-	(165 432)	(165 432)
		-	**(1 066 432)**	**(1 066 432)**
Cash flow from financing activities Proceeds from beneficiary liabilities		-	2 694 582	2 694 582
Repayment of beneficiary liabilities		-	(1 771 028)	(1 771 028)
Movement in beneficiary liability		-	3 621	3 621
Movement in NRF liability		-	(6 356)	(6 356)
		-	**920 819**	**920 819**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

17. Risk management

Market risk

Market risk is the exposure to adverse change in the market value of our investment position caused by changes in prices and rates. The Fund's activities expose it primarily to the risks of fluctuations in the interest rate.

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

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

Credit risk

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

To mitigate this risk and minimise excessive credit exposure to one single counterparty, the Guardian's Fund mandate to 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.

Financial assets exposed to credit risk at year end are as follows:	2023	2022
Money market Instruments	18 458 871	16 923 290
Loan instruments	465 733	584 208

Market risk

Interest rate risk

This risk is the potential financial loss as a result of adverse movements in interest rates that affect the value of money market instruments. As a PIC client, the Guardian's Fund has exposure to interest rate risk through investments in the money market to the sum of R18.9 billion.

Sensitivity to interest rate movements is measured by the duration of the fixed interest exposure. Such duration is dictated in the Guardian's Fund client investment mandate to the PIC, relative to the appropriate benchmark.

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

Financial assets exposed to Interest rate risk at year end are as follows:	2023	2022
Money market instruments	18 458 871	16 923 290
Loan instruments	465 733	584 208

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	2023 R '000	2022 R '000

17. Risk management (continued)

Concentration risk

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

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

Financial institution	Current position %	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
ABSA	19,44 %	3 678 873				
FirstRand	19,47 %	3 684 930				
Nedbank	20,57 %	3 893 275				
Standard Bank	19,76 %	3 740 243				
Investec Bank	18,29 %	3 893 275				
Landbank *(Defaulted)	2,46 %	465 733				

Operational risk

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

Financial assets exposed to operational risk at year end are as follows:	2023	2022
Cash and cash equivalents	481 740	604 135

Interest rate risk sensitivity analysis

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

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

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

The above sensitivity analysis shows that even with a 2% change (both ways) in the interest rate, the Guardian's Fund would have earned sufficient interest investment income to cover the interest paid to Fund beneficiaries at the gazetted rate of interest. (Base figures are as follows: interest received - R0.776 billion and interest paid - R0.560 billion)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	2023 R '000	2022 R '000

17. Risk management (continued)

Compliance risk

The Fund is established in terms of legislation covering which policies and procedures are internally developed to ensure compliance. The Fund is exposed to non-compliance by officials, which may result in legal sanctions, material financial loss, and reputational risk. This risk affects the financial statements as a whole.

Compliance is managed through the Departmental Financial Instructions and Procedure Manual, which are updated regularly. Management of risk includes fraud-prevention strategies.

Financial Instruments valuations methodology and assumptions (investments)

For the valuation of investments at the PIC, the valuer exercises their judgment when selecting a valuation technique that is most appropriate for a particular investment. The review of the valuation is performed by the Fund Managers and determines if they are in line with best practices. The methodology includes the cash flows, Probability of Default (PD), Loss Given Default (LGD) and Duration of Instrument. In order to determine the value of the unlisted investments, the Fund Manager makes underlying assumptions and select assumptions that are in line with the International Private Equity and Venture Capital Valuations Guidelines. These assumptions include Risk – Free Rate: Bond Zero Curve, Probability of Default and Interest Payments.

18. Service in-kind

The nature and type of major classes of services in-kind received, are as follows

Services in-kind that are significant to the entities' operations and/or service delivery objectives:		
Operating expenditure	83 993	80 997
The Guardian's Fund is administered by the Department of Justice and Constitutional Development as such, administration costs, including salaries of officials administering the Fund, plus other costs that cannot be reliably measured are incurred by the Department. The services provided by these employees include managing the day-to-day operations of the Fund. The Guardian's Fund has assessed the services provided as being significant as these are integral to its operations and the service delivery objectives of the Fund.		
	83 993	**80997**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	2023 R '000	2022 R '000

19. Going concern

As at 31 March 2023, the Fund had an accumulated surplus of R2 407 782 and the Fund's total assets exceed liabilities by R2 407 782.

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

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

Budget allocation

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

Other receivables

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

Payables

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

19. Going concern (continued)

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

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

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

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

20. Events after the reporting date

The Guardian's Fund became aware of the following events after the reporting period.

21. Events after the reporting date

On 6 April 2023, unauthorised transactions to the amount of R17.8 million were processed from the Pietermaritzburg Master's Office bank account, transferring funds to unidentified individuals after business hours. Of this amount, R8.9 million has been secured through preservation orders with the assistance of legal enforcement agencies. The incident has been reported to the South African Police Service, Financial Intelligence Centre, and the Forensic Unit of the Department. The investigations were ongoing as at the reporting date. Further controls were put in place to minimise the risk of fraud.

RP322/2023
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