

President's Fund

# Annual Report

## 2014/2015



**the doj & cd**

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



# The President's Fund Annual Report for 2014/2015




**the doj&cd**

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Justice and Constitutional Development  
REPUBLIC OF SOUTH AFRICA

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# **Report of the Accounting Officer**

# Report of the Accounting Officer on the annual financial statements of the President's Fund

for the year ended 31 March 2015

## 1. GENERAL REVIEW

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

Parliament approved the following measures to victims 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, education assistance and the provision of housing, as well as other social benefits to address the needs of victims identified by the TRC.
- Whole communities, other than individuals linked to the process, which suffered and are still in distress, therefore, the need for such communities to be rehabilitated through various programmes initiated and supported by Government.

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

### Once-off Individual Grant 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 of which nine 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, many of which are in line with TRC recommendations.

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

### 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. As at 31 March 2015, assistance was granted to 65 families who applied for contributions towards re-burial expenses in terms of the regulations and were paid a total amount of R1 079 500. Amendments to the regulations are being considered to extend the nature of services being provided.

Regulations for both Basic and Higher Education were promulgated on 03 November 2014 and the closing date for applications was 31 March 2015. Of the 750 applications received, 596 applicants were eligible.

The successful applicants, being 331 for basic education and 265 for higher education, have been submitted to the respective Education Departments for further processing as directed by the Regulations.

In my 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 for free health services to victims, their relatives and dependants. Changes were effected to the draft Regulations to focus on special health services in line with the agreement reached between my Department and the Department of Health. The revised draft Regulations were submitted to the said Department for comments. The draft Regulations cannot be finalised before the Department of Health has amended the National Health Act, 2003. Both the Director General and the Minister of Health have been requested to expedite the matter.

In my previous Annual Report, it was indicated that TRC identified victims in need of housing assistance including repairs or renovations to existing infrastructure is being compiled. This information was submitted to the Departments of Human Settlements and Military Veterans to compare with their database. We have recently received feedback from both Departments and are analysing the data to assess the housing needs of the victims. A policy on housing assistance for victims will be prepared and used to finalise the draft regulations.

### **Rehabilitation of Communities**

It was previously reported that needs analysis has been conducted in Alexandra and Mamelodi (Gauteng) as well as Bambayi and Mpophomeni (Kwazulu Natal). During the Year being reported on, further needs analysis were carried out in Tumahole, Thabong (Free State), Paballelo, Seoding, (Northern Cape), Lulekani and Ga-Matlala (Limpopo). On completion of the needs analysis in the remainder of the Provinces, the draft regulations will be reviewed in conjunction with the relevant stakeholders and finalised.

## **2. CORPORATE GOVERNANCE ARRANGEMENTS**

The administration costs for the Fund is paid by the Department of Justice and Constitutional Development as a related party and the Fund uses the Department's risk management approach, fraud prevention policy, effectiveness of internal audit and Audit Committee services. It also utilizes 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 regulations assented to by the State President.

## **4. APPRECIATION**

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



**Ms Nonkululeko Sindane**

Accounting Officer: President's Fund

Date: 31 July 2015



# Report of the Audit Committee



# Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2015.

## 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 current year 5 meetings were held and one member resigned as indicated below.

Name of members	Numbers of meetings attended	Status
Mr. Motsamai Karedi (Chairperson)	5	Reappointed 09 January 2013
Mr. Cedric Boltman	5	Reappointed 09 January 2013
Ms. Besky Ngunjiri	5	Appointed 28 February 2012
Mr. Wilson Ramabulana	5	Reappointed 09 January 2013
Ms. Livhuwani Yuma	5	Resigned 31 March 2015
Mr Andy Sello	5	Appointed 09 January 2013

## 1.2 Audit Committee Responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the 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 year under review and where shortcomings in the internal controls were identified; management implemented an audit action

plan which was validated by Internal Audit and reviewed by the Audit Committee on ongoing basis.

## 1.4 Internal Audit

The Internal Audit unit has 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 it.

## 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.



**Mr M Karedi**

Chairperson of the Audit Committee  
Department of Justice and Constitutional  
Development



# **Report of the Auditor General**



# Report of the Auditor-General to Parliament on the President's Fund

## Report on the financial statements

### Introduction

1. I have audited the financial statements of the President's Fund set out on pages 14 to 28, which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

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

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the General Notice issued in terms of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), and for such internal control as the accounting officer determines is necessary to enable the preparation financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards of Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the President's Fund as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the General Notice issued in terms of the PAA.

### Emphasis of matter

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

**Restatement of corresponding figures**

8. As disclosed in note 12 and 13 to the financial statements, the corresponding figures for 31 March 2014 have been restated as a result of an error discovered during 2015 in the financial statements of the President's Fund at, and for the year ended, 31 March 2014

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

**Predetermined objectives**

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

**Compliance with legislation**

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

**Internal control**

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

*Auditor-General*

Pretoria  
30 July 2015



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*





# **Annual Financial Statements**

## Statement of financial performance

for the year ended 31 March 2015

	Notes	2015	2014
		R	R
<b>Revenue</b>			
Investment revenue	3	78,762,413	63,520,110
		78,762,413	63,520,110
Less: expenditure	4	1,019,144	1,147,176
<b>Surplus for the year</b>		<b>77,743,270</b>	<b>62,372,935</b>

## Statement of financial position

as at 31 March 2015

	Notes	2015	2014
		R	R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial investments at fair value	6	1,229,628,198	1,152,419,203
		1,229,628,198	1,152,419,203
<b>Current assets</b>			
Cash and cash equivalents	8	47,091,993	46,690,934
Trade and other receivables - Non exchange transactions	5	0	4,000
<b>Total assets</b>		<b>1,276,720,192</b>	<b>1,199,114,137</b>
<b>LIABILITIES</b>			
<b>Total liabilities</b>			
Trade and other payables - Non exchange transactions	7	1,239	1,197
Provision	14	2,885,316	3,022,573
<b>CAPITAL AND RESERVES</b>			
<b>Total net assets</b>			
Accumulated surplus	9	1,273,833,637	1,196,090,367
<b>Total net assets and liabilities</b>		<b>1,276,720,192</b>	<b>1,199,114,136</b>

## Statement of changes in NET assets

as at 31 March 2015

	Notes	2015	2014
		R	R
Accumulated Surplus			
Opening balance		1,196,090,367	1,133,524,232
Plus: Surplus for the year		77,743,270	62,372,935
Prior year error	13	0	193,200
Closing balance	9	1,273,833,637	1,196,090,367
Total net assets		1,273,833,637	1,196,090,367

## Cash flow statement

as at 31 March 2015

	Notes	2015	2014
		R	R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		0	0
Interest received	3	78,762,413	63,520,110
Other receipts		0	0
Payments		0	0
Suppliers (Management fees)		-704,637	-665,359
Other payments	10	-451,722	-2,995,875
<b>Net cash flows from operating activities</b>		<b>77,606,054</b>	<b>59,858,876</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investments		-77,208,995	-62,762,709
<b>Net cash flows from investing activities</b>		<b>-77,208,995</b>	<b>-62,762,709</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Net cash flows from financing activities</b>		<b>0</b>	<b>0</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>397,059</b>	<b>-2,903,833</b>
Cash and cash equivalents at beginning of period		46,690,934	49,594,767
<b>Cash and cash equivalents at end of period</b>	8	<b>47,087,993</b>	<b>46,690,934</b>

# Notes to the Financial Statements

31 March 2015

## 1. GENERAL INFORMATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

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

#### 2.1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts presented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include the following:

#### 2.1.2 Contingent liabilities

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

interim reparation as the interim reparation varies from R2 000 to R5 705 due to number of people in need within the family.

#### 2.1.3 Compliance

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

## 2.2 Summary of significant accounting policies

### 2.2.1 Revenue recognition

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

#### (i) Interest Income

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

### 2.2.2 Expenditure

#### (i) Reparations

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

**(ii) Administration expenditure**

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

**(iii) Exhumation and reburials**

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

**2.2.3 Financial instruments****Financial instruments at fair value.**

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

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

**(i) Date of recognition**

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or convention in the

marketplace are recognised on the date that the President's Fund commits to purchase or sell the asset.

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

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

**(iii) Subsequent Measurement**

Financial Instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

**(iv) Derecognition**

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

**2.3 Trade and other receivables**

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

The derecognition of the trade and other receivable is when recoveries are made or write off is approved.

**2.3.1 Write-off and Provision of irrecoverable debts Policy**

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

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

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

## 2.8 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 GRAP1 and GRAP 24** requires the fund to present budget against actual information in the annual financial statements, due to the nature of the President's Fund and the Fund not having a budget, this disclosure has not been made.

## Notes to the financial statements

31 March 2015

	2015	2014
	R	R
<b>3. Investment revenue</b>		
Interest received (Fair value investments) - PIC	78,762,413	63,520,110
	<b>78,762,413</b>	<b>63,520,110</b>
<b>4. Surplus for the year</b>		
Operating profit has been determined after taking into account the following revenue and expenditure items:		
<b>Revenue</b>	<b>78,762,413</b>	<b>63,520,110</b>
Investment Revenue - See note 3	78,762,413	63,520,110
<b>Less: Expenditure</b>	<b>1,019,144</b>	<b>1,147,176</b>
Interim reparations (New applications)	25,335	19,030
Management Fees - Public Investment Corporation	704,637	665,359
Final reparations (New applications)	240,000	180,000
Exhumation and Reburials	34,000	272,768
Service Provider - BDB Data Bureau	8,224	7,172
Bank Charges	2,948	2,846
Provision for bad debts -Expense	4,000	0
<b>Surplus for the year</b>	<b>77,743,270</b>	<b>62,372,935</b>
<b>5. Trade and other receivables - Non exchange transactions</b>		
Reparation payments recoverable:	0	4,000
Accounts receivable	277,264	277,264
Less: Provision for bad debts	-277,264	-273,264
	<b>0</b>	<b>4,000</b>

	2015	2014
	R	R
<b>6. Financial investments at Fair value</b>		
<b>6.1 Public Investment Corporation</b>		
Opening balance as originally stated	1,198,303,742	1,138,448,992
Cost	1,198,303,742	1,138,448,992
Investment income received during financial year	78,762,413	63,520,110
Drawings during the year	0	-3,000,000
Management expenses	-704,637	-665,359
Trading cash(classified as cash and cash equivalent)	-46,733,320	-45,884,539
<b>Closing balance</b>	<b>1,229,628,198</b>	<b>1,152,419,203</b>
Fair value at acquisition date	1,229,628,198	1,152,419,203
Unrealised profit/(losses) is the difference between "All-in market values" and the "Clean book value" plus "Market value interest".		
All Market Value	-1,229,628,198	-1,152,419,203
Clean Book Value	1,195,626,970	1,129,826,203
Difference	-34,001,229	-22,593,000
Plus: Market Value Interest	34,001,229	22,593,000
Unrealised Profit/ Losses	<b>-0</b>	<b>0</b>
<b>PIC Investments</b>		
Money Market 0 - 3 months	609,359,862	455,163,610
Money Market 3 - 6 months	260,876,549	377,344,137
Money Market 6 - 9 months	143,973,671	174,420,401
Money Market 9 - 12 months	215,418,116	145,491,055
	<b>1,229,628,198</b>	<b>1,152,419,203</b>
<b>6.2 Total financial investments at Fair value</b>	<b>1,229,628,198</b>	<b>1,152,419,203</b>
<b>7. Trade and other payables - Non exchange transactions</b>		
Accruals	854	812
Unidentified	385	385
	<b>1,239</b>	<b>1,197</b>

2015		2014
R		R

## 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	358,673	806,395
Short-term investments- Trading cash	46,733,320	45,884,539
	<b>47,091,993</b>	<b>46,690,934</b>

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

## 9. Accumulated surplus

Opening balance at the beginning of the year	1,196,090,367	1,133,524,232
Surplus for the year	77,743,270	62,372,935
Prior year error (note 13)	0	193,200
<b>Balance at the end of the year</b>	<b>1,273,833,637</b>	<b>1,196,090,367</b>

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

Cash receipts on behalf of beneficiaries	0	0
Cash paid to beneficiaries and creditors	-447,722	-2,995,874
<b>Net cash flows from operating activities</b>	<b>-447,722</b>	<b>-2,995,874</b>

## 11. Related party transactions

The Department of Justice and Constitutional Development is the principal related party and has under its control the President's Fund, Third Party Fund, Guardian's Fund and the Criminal Asset Recovery Account (CARA), National Prosecuting Authority (NPA), Special Investigating Unit and Legal Aid Board as entities.

### 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	1,296,729	979,350
Goods and Services	32,221	115,693
	<b>1,328,951</b>	<b>1,095,043</b>

### 11.2 Key management personnel

Compensation of employees	630,822	622,490
Households	0	64,065
	<b>630,822</b>	<b>686,555</b>

2015		2014
R		R

### 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 invest 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 exist as to how many victims may apply in the future. At 31 March 2015 the estimated amount was R140,947,081 in respect of 4,280 beneficiaries whereas as at 31 March 2014 the estimated amount was R141,212,416 in respect of 4,288 beneficiaries. The contingent liability has been restated with the difference of R64,316,351 (1953 beneficiaries).

### 13. Prior year error

The Transaction is due to underprovision of the Creditors for the 2013/14 financial year.

Provision overstated	0	253,200
Provision understated	0	-60,000
	<b>0</b>	<b>193,200</b>

### 14. Provisions

Carrying amount at the beginning of the year	3,022,574	5,729,971
Movement for the year	-137,258	-2,514,197
Prior year error (Note 13)	0	-193,200
<b>Carrying amount at the end of the year</b>	<b>2,885,316</b>	<b>3,022,574</b>

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



# Notes to the Financial Statements

31 March 2015

## 15 Risk assessment

### 15.1 Introduction

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

### 15.2 Market risk

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

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

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

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

### 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 Fund has exposure to interest rate risk through investments in money markets.

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

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

### 15.6 Credit risk

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

To mitigate this risk and minimize excessive credit exposure to one single counterparty, the President's Fund mandate to PIC states that PIC will only invest with local commercial banks or institutions that have a credit rating of at least "A" from one of the recognised domestic and/or international credit rating agencies.

### 15.7 Liquidity risk

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

The President's Fund current liquid asset holdings of less than 3 months maturity amount to R609 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 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 towards the loyal support and valuable contributions of the various stakeholders is hereby appreciated.

The financial statements set out on pages 1 to 14 have been approved by the Accounting Officer.



**Ms. N. Sindane**

Accounting Officer, President's Fund  
31 July 2015













# The President's Fund Annual Report

2014/2015

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