

PRESIDENT'S FUND Annual Report 2008/09



the doj & cd

Department:
Justice and Constitutional Development
REPUBLIC OF SOUTH AFRICA

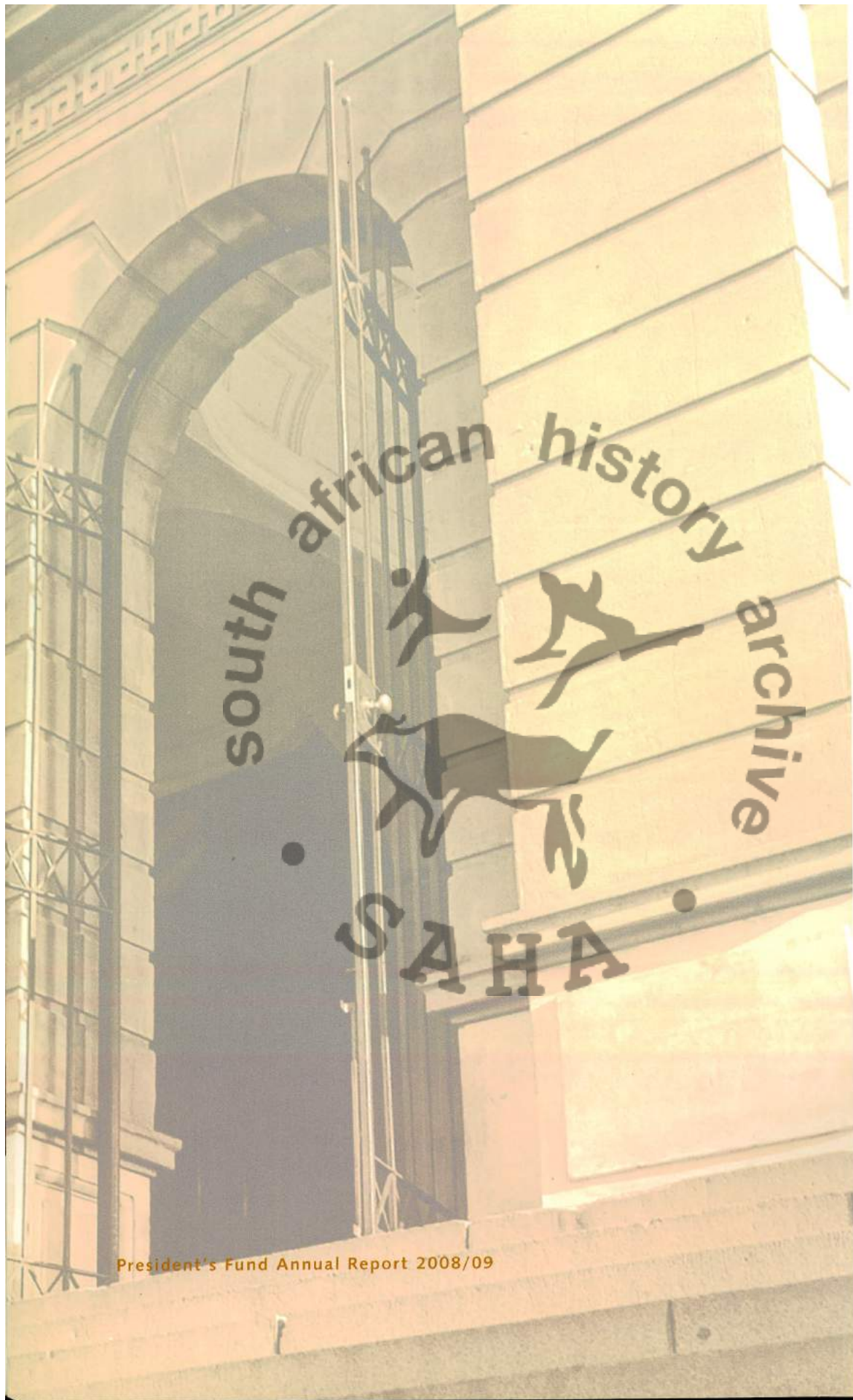
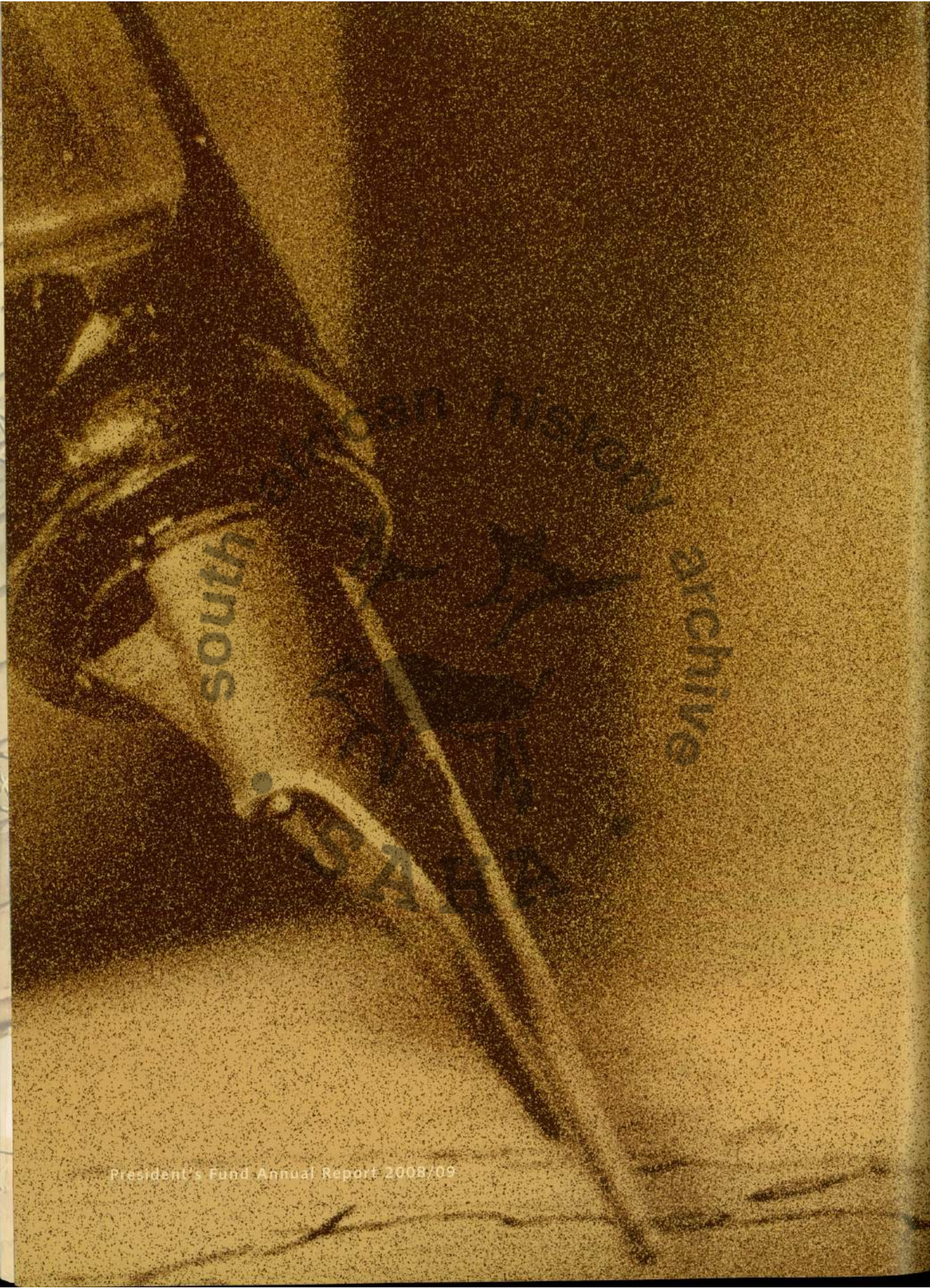


TABLE OF CONTENTS

Part 1 -	Report of the Auditor-General.....	1
Part 2 -	Report of the Accounting Officer.....	7
Part 3 -	Report of the Audit Committee.....	11
Part 4 -	Financial Statements.....	15
	Statement of Financial Performance (SPR).....	16
	Statement of Financial Position (SPO).....	17
	Statement of Changes in Net Assets.....	18
	Cash Flow Statement.....	19
	Accounting Policies.....	20
	Notes to the Financial Statements.....	22
	Risk Management Statement.....	26





PART 1

Report of the Auditor-General

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF PRESIDENT'S FUND FOR THE YEAR ENDED 31 MARCH 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the President's Fund which comprise the statement of financial position as at 31 March 2009, the statement of financial performance, the statement of changes in net assets, the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 15 to 26.

The 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 the South African statements Generally Accepted Accounting Practice (GAAP), and in the manner required by the Auditor-General audit circular 1 of 2007 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.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) PAA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

Opinion

7. In my opinion the financial statements present fairly, in all material respects, the financial position of the President's Fund as at 31 March 2009 and its financial performance and cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice.

OTHER MATTER

Without qualifying my audit opinion, I draw attention to the following matter that relates to my responsibilities in the audit of the financial statements:

Material inconsistencies in other information included in the annual report/other information

8. I have not obtained the other information included in the annual report and have not been able to identify any material inconsistencies with the financial statements.

Governance Framework

9. The governance principles that impact the auditor's opinion on the financial statements and the relevant responsibilities and practices exercised by the accounting officer and executive management and are reflected in the key governance responsibilities addressed below:

Key Governance responsibilities

10. The accounting officer is tasked with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this, is the implementation of certain key governance responsibilities, which we have assessed as follows:
11. Management did not implement processes to monitor and supervise the effectiveness of internal controls over financial reporting.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

12. I was engaged to review the performance information.

The accounting officer's responsibility for the performance information

13. The accounting officer has additional responsibilities as required by the Auditor-General audit circular 1 of 2007 to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the fund.

Matter of governance		Yes	No
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		✓
Timeliness of financial statements and management information			
4	The annual financial statements were submitted for auditing as per the legislated deadlines.		✓

Matter of governance		Yes	No
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit Committee		
	• The fund had an audit committee in operation throughout the financial year.	✓	
	• The audit committee operates in accordance with approved, written terms of reference.	✓	
	• The audit committee substantially fulfilled its responsibilities for the year.	✓	
7.	Internal audit		
	• The fund had an internal audit function in operation throughout the financial year.	✓	
	• The internal audit function operates in terms of an approved internal audit plan.	✓	
	• The internal audit function substantially fulfilled its responsibilities for the year.	✓	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	✓	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	✓	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used.	✓	
12.	Delegations of responsibility are in place.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	✓	
Issues relating to the reporting of performance information			
14.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
15.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
Matter of governance		Yes	No
16.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the President's Fund against its mandate, predetermined objectives, outputs, indicators and targets		✓
17.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		✓

The Auditor-General's responsibility

14. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008.
15. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
16. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the review findings reported below.

Findings on performance information**Non-compliance with regulatory requirements**

17. The entity has not reported performance against predetermined objectives as required by the Auditor-General audit circular 1 of 2007.

APPRECIATION

18. The assistance rendered by the staff of the President's Fund during the audit is sincerely appreciated.

Auditor-General

Pretoria

31 July 2009

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence





PART 2

Report of the Accounting Officer

south african history archive

**REPORT OF THE ACCOUNTING
OFFICER ON THE ANNUAL FINANCIAL
STATEMENTS OF PRESIDENT'S FUND FOR
THE YEAR ENDED 31 MARCH 2009**

I. GENERAL REVIEW

- 1.1 The President's Fund was established in terms of section 42 of the Promotion of National Unity and Reconciliation, 1995 (Act No. 34 of 1995).
- 1.2 Parliament approved the following measures to victims on the recommendations of the State President and subsequent recommendations 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) Report.
- 1.2.1 Once-off individual grant of R30 000 to those individuals or survivors designated by the TRC.
- 1.2.2 Symbols and Monuments: 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.
- 1.2.3 Medical and other forms of Social Assistance: Programmes to provide for medical benefits, education assistance and provision of housing as well as other social benefits to address the needs of TRC identified victims.
- 1.2.4 Rehabilitation of Communities: Whole communities, other than individuals linked to the TRC process, who suffered and are still in distress. Therefore the need for such communities to be rehabilitated through various programmes initiated and supported by Government.
- 1.3 Sub-section 42(2) of the said 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"*.
- 1.4 To give effect to the payment of the once-off individual grant of R30 000 regulations were gazetted on 12 November 2003.
- 1.5 As at the end of the financial year under review, of the 16 837 applicants for reparation approved by the TRC, 15 913 have been paid the once-off individual grant totalling R478 million. There are 926 beneficiaries still to be paid of which 423 are still being traced by a professional tracing agency, engaged to trace the unpaid beneficiaries, 270 beneficiaries have not supplied the necessary regulatory requirements and 233 applicants who had received interim reparations, died before the payment of final reparation. The President's Fund is consulting with families of the deceased to establish the rightful next of kin in terms of regulations directing disbursements of the individual grants
- 1.6 Symbols and Monuments: This aspect of the reparation measure is being undertaken by the Freedom Park Trust as well as the Department of Arts and Culture and South African Heritage Resources Agency (SAHRA). This is work in progress and voted funds are being utilised. No request has so far been made by the abovementioned agencies for funding from the President's Fund.
- 1.7 Medical and other forms of social assistance Draft regulations to render financial assistance to the indigent families of persons who went missing and whose remains were exhumed by the special task team at the National Prosecuting Authority (NPA) as well as educational needs in consultation with the Department of Education are in the process of being finalised. Development of regulations providing for housing assistance and skills development with the respective Departments are being explored.
- 1.8 A Community Rehabilitation model is in the process of being developed in consultation with the respective Departments involved. Some of the issues being conducted are the repair/ replacement or provision of health facilities, recreation centres, conflict resolution and healing.

2. DONOR FUNDS

No donations were received for the financial year under review.

3. CORPORATE GOVERNANCE ARRANGEMENTS

The Fund utilises the services of the DOJ&CD for its risk management approach, fraud prevention policies, effectiveness of internal audit and audit committee. It also utilises governance structures including management processes of the said Department.

4. OTHER

We shall continue to utilise the unexpended balance of the money in the Fund for the purposes for which the Fund was established and by direction of the regulations enacted.

My appreciation and thanks are accorded to the related departments, agencies and stakeholders who have contributed towards the administration of the President's Fund.



Adv. Menzi Simelane
ACCOUNTING OFFICER



South African history
Archives
SAHA

PART 3

Report of the Audit Committee

South African history archive



SHA

1,500.00

89.4

99.7

Report of the Audit Committee

REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2009.

AUDIT COMMITTEE RESPONSIBILITY

The administration and accountability for the Presidents Fund falls within the responsibilities of the Department of Justice and Constitutional Development. Accordingly as the duly constituted Audit Committee of the Department of Justice and Constitutional Development we have reviewed to the extent considered necessary the financial statements of the Presidents Fund.

THE EFFECTIVENESS OF INTERNAL CONTROLS

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective.

This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the internal auditors, the audit report on the annual financial statements and the management letter of the Auditor-General South Africa, we noted that no significant or material non compliance with prescribed policies and procedures were reported.

Accordingly, we can report that the system of internal control for the period under review was efficient and effective.

INTERNAL AUDIT

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Fund in its audits.

EVALUATION OF FINANCIAL STATEMENTS

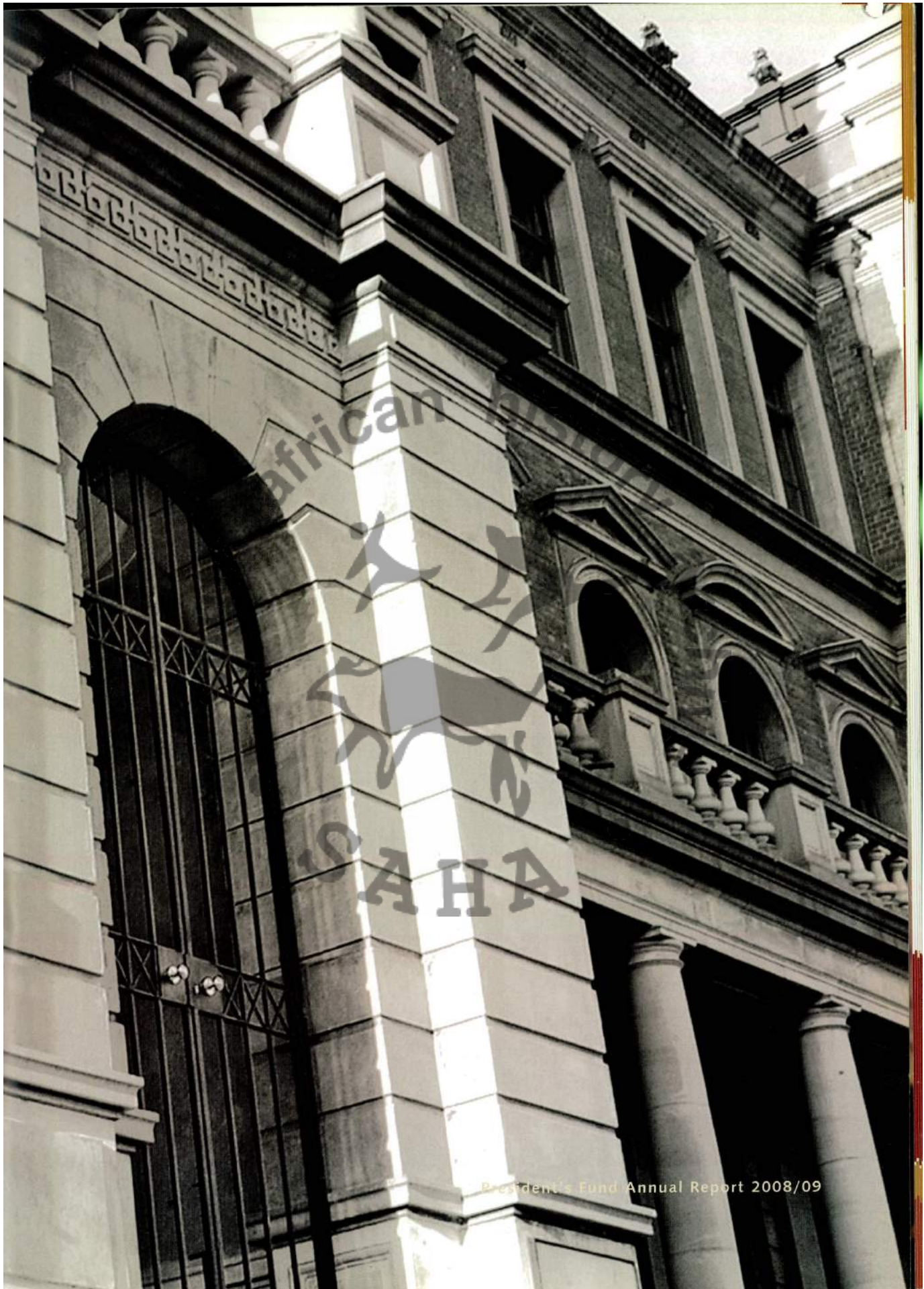
We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General South Africa and the Accounting Officer;
- Reviewed the Auditor-General South Africa's management letter and management's response thereto;
- Reviewed the Fund's compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.

We concur and accept the Auditor-General South Africa's report on the annual financial statements and are of the opinion that the audited annual financial statements should be accepted read together with the report of the Auditor-General South Africa.



SA Patterson
CHAIRPERSON OF THE AUDIT COMMITTEE
4 August 2009





PART 4

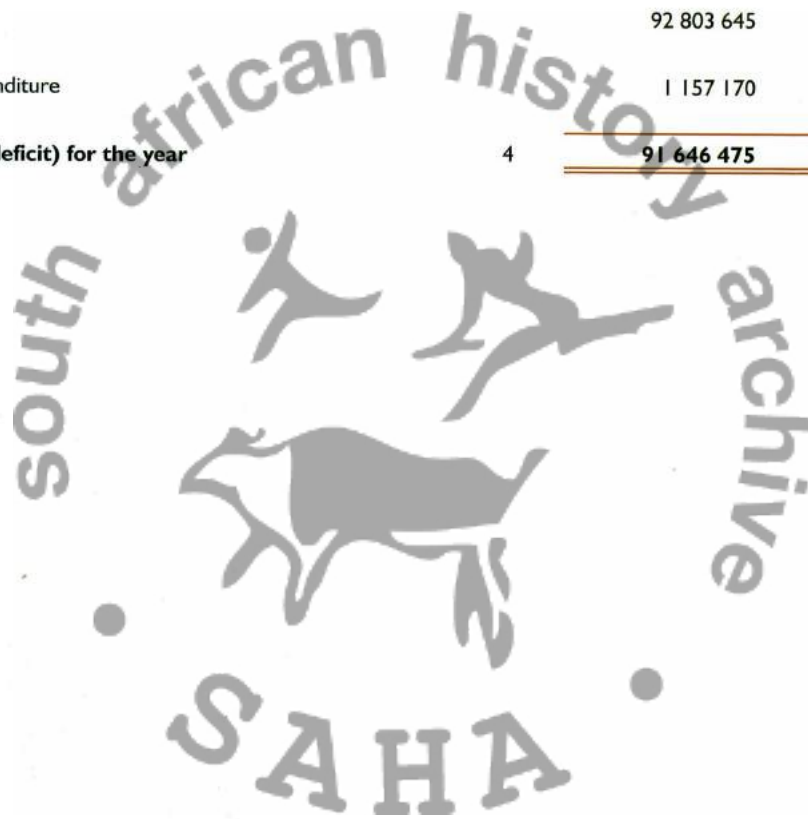
Financial Statements



STATEMENT OF FINANCIAL PERFORMANCE (SPR)

As at 31 March 2009

		2009	2008
	NOTES	R	R
Revenue		92 803 645	75 623 633
Less: expenditure		1 157 170	967 958
Surplus/(deficit) for the year	4	91 646 475	74 655 675



STATEMENT OF FINANCIAL POSITION (SPO)
As at 31 March 2009

		2009	2008
	NOTES	R	R
ASSETS			
Non-current assets		892 678 343	779 087 015
Financial investments available-for-sale	6	892 678 343	779 087 015
Current assets		8 959 235	32 843 310
Cash and cash equivalents	8	8 957 571	6 529 709
Trade and other receivables	5	1 664	26 313 601
Total assets		901 637 578	811 930 325
LIABILITIES			
Total liabilities		28 783 536	31 024 007
Trade and other payables	7	28 783 536	31 024 007
CAPITAL AND RESERVES			
Total net assets		872 854 042	780 906 318
Accumulated surplus	9	872 537 473	780 906 318
Accumulated other comprehensive income	10	316 569	0
Total net assets and liabilities		901 637 578	811 930 325

STATEMENT OF CHANGES IN NET ASSETS

As at 31 March 2009

	NOTES	2009	2008
		R	R
Accumulated Surplus			
Balance as at 1 April		780 906 318	706 250 643
Plus : Surplus/(deficit) for the year		91 646 475	74 655 675
		872 552 793	780 906 318
Less : Prior year error		15 320	0
Balance as at 31 March	9	872 537 473	780 906 318
Accumulated other comprehensive income			
Balance as at 1 April		0	0
Plus : Unrealised gain - PIC investment	6.1	316 569	0
Balance as at 31 March	10	316 569	0
Total net assets		872 854 042	780 906 318

CASH FLOW STATEMENTS

As at 31 March 2009

		2009	2008
	NOTES	R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts on behalf of beneficiaries		-2 314 340	-1 892 016
Cash paid to beneficiaries and creditors		1 141 850	967 958
Cash generated from/(utilised in) operations	11	-1 172 490	-924 058
Investment income received		92 803 645	75 623 633
Net cash inflows/(outflows) from operating		91 631 155	74 699 575
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash flows from investing activities		-113 274 759	-55 497 088
Net investments		-113 274 759	-55 497 088
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flow financing activities		24 071 466	-27 220 834
Increase/(decrease) in beneficiary liability		-2 240 471	-7 268 613
Decrease/(increase) in accounts receivable		26 311 937	-19 952 221
Net increase/(decrease) in cash and cash		2 427 862	-8 018 347
Cash and cash equivalents at the beginning of the year		6 529 709	14 548 056
Cash and cash equivalents at end of the year		8 957 571	6 529 709

ACCOUNTING POLICIES**1. GENERAL INFORMATION**

The President's Fund was established in terms of Section 42 of the Promotion of National Unity and Reconciliation Act, (Act Nr 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 available-for-sale investments that have been measured at fair value. The financial statements are presented in rands.

Statement of compliance

The financial statements of the President's Fund have been prepared in accordance with South Africa Statements of GAAP 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 activities as described below.

(i) Grants received

Grants from the Department of Justice and Constitutional Development are accounted for in the period to which the allocations relate.

(ii) Donations received

Donations are accounted for on receipt.

(iii) Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement;

(iv) Interest Income

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

2.2.2 Expenditure**(i) Repairs**

Repairs are accrued on approval by the Committee on Reparation and Rehabilitation Commission.

(ii) Administration expenditure

Administration expenses do not form part of grants as stated in subparagraph 2.2.1. Disbursements in respect of administrative expenses are borne by the Department of Justice and Constitutional Development, except for bank charges and service provider fees that are borne by the Fund itself.

2.2.3 Financial instruments**Initial recognition and subsequent measurement - Continue 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.

Initial recognition of financial instrument

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 plus, in the case of financial assets not at fair value through profit or loss, any directly attributable incremental cost of acquisition or issue.

(i) Trade and other receivables

Trade and other receivables originated by the Fund are stated at fair value less provision for doubtful debts.

(ii) Trade and other payables

Trade and other payables incurred by the Fund are stated at present liability.

(iii) 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 financial instrument, depending on their nature.

Cash and cash equivalents that do not have fixed and determined payments will be classified as Available-for-sale financial assets.

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

Financial instruments - initial recognition and subsequent measurement

Available-for-sale financial investments

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified at fair value through profit or loss, held-to-maturity or loans and advances. They include equity instruments, investments in money markets and other debit instruments.

After initial measurement, availability-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity as "Accumulated other comprehensive income". When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in "other operating income" or "other operating expenses". Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognised in the income statement as "other operating income" when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the income statement in "impairment losses on financial investments" and removed from the available-for-sale reserve.

2.4 Contingent liabilities

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

2.5 Cash Flow statement

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2009

	2009	2008
	R	R
3. Investment revenue		
Interest received (Available-for-sale investments) - PIC	13 029 804	0
Interest received (Fixed and Call deposits) - Standard Bank	79 771 977	75 616 588
	92 801 781	75 616 588
4. Surplus/(deficit) for the year		
Operating profit has been determined after taking into account the following income and expenses:		
Revenue	92 803 645	75 623 633
Royalties	1 864	7 045
Investment Revenue - See note 3	92 801 781	75 616 588
Less: expenditure	1 157 170	967 958
Interim reparations	29 360	72 234
Management Fees - Public Investment Corporation	668 030	0
Final reparations	345 000	720 000
Service Provider - BDB Data Bureau	6 419	5 611
Bank Charges	3 411	3 463
Provision for bad debts - See note 5	104 950	166 650
Surplus/(deficit) for the year	91 646 475	74 655 675
5. Trade and other receivables		
Accrued interest	0	26 206 587
Reparation payments recoverable:	1 664	107 014
Accounts receivable	273 264	273 664
Less: Provision for bad debts	-271 600	-166 650
	1 664	26 313 601

During the financial year the President's Fund transferred its investment to the Public Investment Corporation. Due to this change in investment there is no accrual in interest.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2009

	2009	2008
	R	R
6. Financial investments available-for-sale		
6.1 Public Investment Corporation		
Investment income received during financial year	13 029 804	
Additions during the year	880 000 000	
Unrealised profit/(losses)	316 569	
Management expenses	-668 030	
Closing balance	892 678 343	
Fair value at acquisition date	892 361 774	
Unrealised profit/(losses)	316 569	
<p>Unrealised profit/(losses) is the difference between "All-in market values" and the "Clean book value" plus "Market value interest". A provision against Accumulated other comprehensive income was made for these unrealised income was made for these unrealised profit/(losses).</p>		
PIC Investments		
Money Market 0 - 3 months	292 300 168	
Money Market 3 - 6 months	271 227 788	
Money Market 6 - 9 months	201 562 329	
Money Market 9 - 12 months	107 080 668	
Trading Cash	20 507 390	
	892 678 343	
6.2 Other investments		
Call account - Standard Bank	0	79 087 015
6 Month fixed deposit - Standard Bank	0	700 000 000
	0	779 087 015
<p>During the financial year the investment was transferred from Standard Bank to the Public Investment Corporation.</p>		
6.3 Total financial investments available-for-sale	892 678 343	779 087 015

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2009

	2009	2008
	R	R
7. Trade and other payables		
Reparation payments approved	28 783 499	31 023 899
Accruals	37	108
	<u>28 783 536</u>	<u>31 024 007</u>
8. Cash and cash equivalents		
Standard Bank account	8 957 571	6 529 709
	<u>8 957 571</u>	<u>6 529 709</u>
The carrying amount of Cash and Cash equivalents approximates their fair value due to their short-term maturity.		
9. Accumulated surplus/(deficit)		
Opening balance as at 1 April 2008	780 906 318	706 250 643
Surplus/(deficit) for the year	91 646 475	74 655 675
Less : Prior year error	-15 320	0
Balance at the end of the year	<u>872 537 473</u>	<u>780 906 318</u>
10. Accumulated other comprehensive income		
Opening balance as at 1 April 2008	0	
Unrealised profit/(losses)	316 569	
Transfers to/(from) reserves	0	
Revaluation increase/(decrease) in investments	0	
Balance at the end of the year	<u>316 569</u>	

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2009

	2009	2008
	R	R
11. Cash generated from/(utilized in) operations		
Surplus/(deficit) before interest	91 734 241	74 692 530
Less: Investment income received	-92 801 781	-75 616 588
Net cash flows from operating activities	-1 067 540	-924 058
12. Related party transactions		
All administration costs for the President's Fund are paid for by the Department of Justice and Constitutional Development.		
13. 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 2009 the estimated amount was R77 390 000 in respect of 2350 beneficiaries.		
14. Prior year error		
Prior year error due to under provision of creditors for the 2007/08 financial year. Comparative figures have been adjusted.		
Decrease in Accumulated surplus	<u>15 320</u>	
Increase in creditors	<u>15 320</u>	
Decrease in equity	<u>15 320</u>	

Risk Management Statement

RISK MANAGEMENT STATEMENT

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.

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.

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:

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.

3. 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.

4. 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 minimise 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.

5. LIQUIDITY RISK

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

The President's Fund current liquid asset holdings of less than three months maturity amount to R292 million of the total portfolio which ensures sufficient liquidity to pay out monies due to beneficiaries.

6. 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.



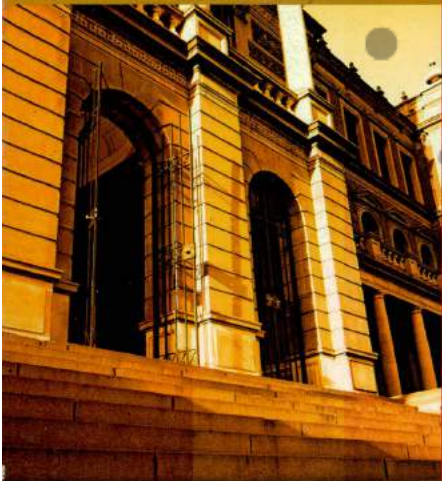
south african history archive
SAHA

2008/09

south african history
archive



SAHA



ISBN: 978-0-621-38964-7
RP254/2009

Issued by:
The Department of Justice and Constitutional Development
P/Bag X81, Pretoria, 001
Tel: (012) 315 1111