

▶ 20<sup>18/19</sup>

JUSTICE ADMINISTERED

FUND

DEPARTMENT OF JUSTICE AND  
CONSTITUTIONAL DEVELOPMENT



the **doj & cd**

Department:  
Justice and Constitutional Development  
REPUBLIC OF SOUTH AFRICA





▶ 20<sup>18/19</sup>

JUSTICE ADMINISTERED

# FUND

DEPARTMENT OF JUSTICE AND  
CONSTITUTIONAL DEVELOPMENT

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**REPORT BY THE  
ACCOUNTING  
OFFICER**

# REPORT BY THE ACCOUNTING OFFICER TO THE EXECUTIVE AUTHORITY AND PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA ON THE ANNUAL FINANCIAL STATEMENTS FOR THE JUSTICE ADMINISTERED FUND FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

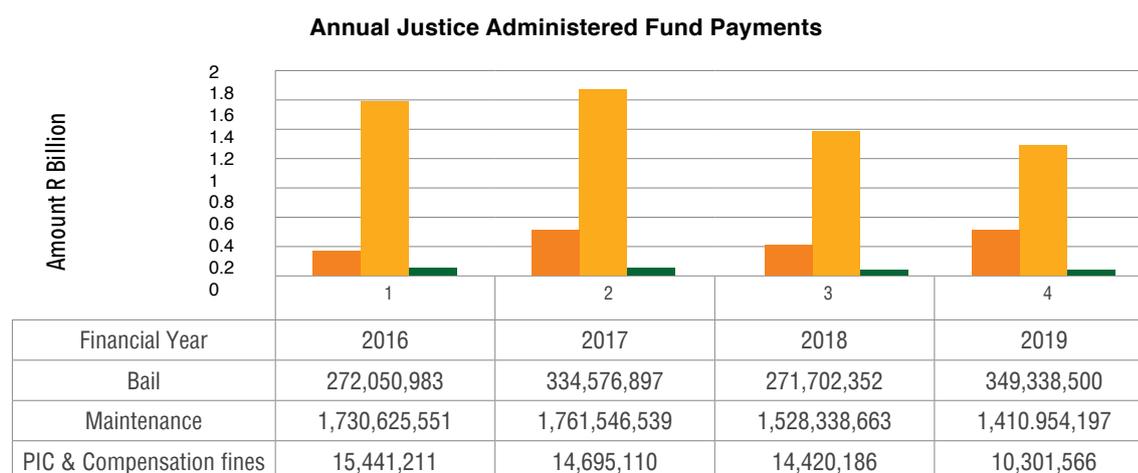
## 1. INTRODUCTION

The Justice Administered Fund (JAF) has been established in terms of the Justice Administered Fund Act, 2017 (Act No. 2 of 2017), that came into effect on 1 April 2018. The purpose of the JAF is to manage maintenance beneficiary monies (local, foreign and future), the safe-keeping of bail monies on behalf of accused persons, and the safe-keeping of payments into court.

The Fund administers the following monies on behalf of third parties:

- Money received in terms of maintenance orders made in terms of the Maintenance Act, 1998 (Act No. 99 of 1998);
- Money received as bail payable in terms of the Criminal Procedure Act, 1977 (Act No. 51 of 1977), or any other Act of Parliament;
- Money paid into court in terms of any Rule of Court or any other subordinate legislation;
- Money received which cannot be allocated immediately into any of the categories listed in paragraphs (a) to (c); and
- Interest earned on money paid into the Fund, and associated bank charges.

Receipts from obligors and depositors during the financial year amounted to R1,755 billion, while payments and refunds to beneficiaries and depositors amounted to R1,770 billion. The following table reflects the total payments for 2018/2019 in respect of the various categories to various beneficiaries and depositors.



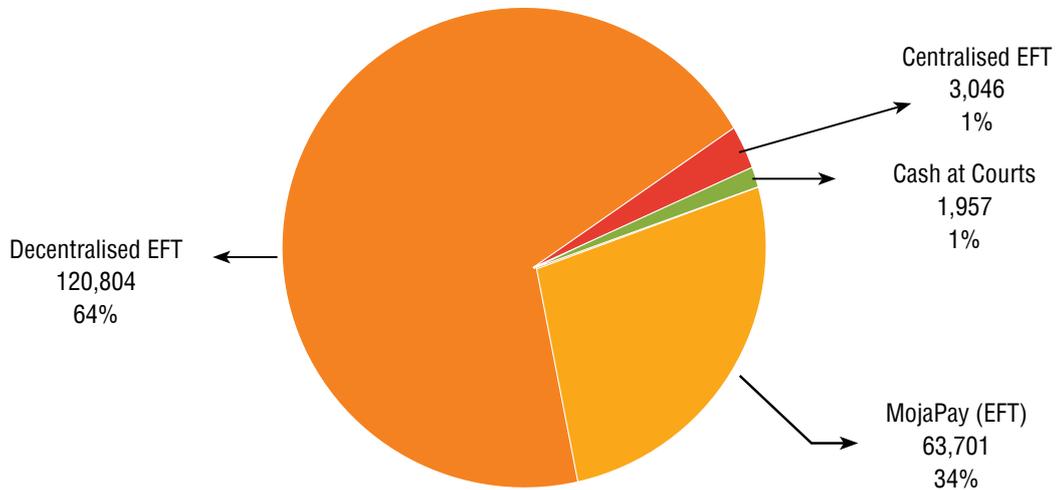
**(a) Maintenance**

The JAF receives and pays maintenance on behalf of maintenance defendants and plaintiffs, respectively. In this regard, it administrates these on behalf of the parties, which may include the employers of the defendants.

JAF only accounts for monies received and paid in this regard. Any unpaid monies have to be dealt with through court processes, as this is a civil matter and JAF only acts as an intermediary.

JAF only deals with monies received through it by order of court and distributes these monies as speedily as possible after being received from defendants and/or their employers. The average turn-around time for such receipts and the payment thereof is 2 – 4 days (including weekends and public holidays). This is only for payments processed through MojaPay and is an improvement on the turn-around time recorded during the previous financial year (3 – 6 days).

The graph below indicates the relationship of MojaPay EFT and cash payments versus centralised EFT payments versus localised EFT payments and cash payments made in respect of maintenance for March 2019.



In essence, 99% of maintenance beneficiaries receive maintenance payments on a monthly basis via the EFT and bank system. Some reasons for maintenance beneficiaries still relying on cash as a means of payment are a lack of access to banking facilities in rural communities, high withdrawal costs, and the convenient location of courts versus bank locations.

To eliminate or reduce the number of maintenance payments that flow through our courts, and to ensure that beneficiaries have access to their monies in a shorter space of time, the direct payment initiative has been widely promoted. The process entails the obligor (whether an individual defendant or his/her employer) depositing monies directly into the bank account of the beneficiary. After consultation with the Chairperson of the Magistrate’s Commission, all regions have initiated projects, in consultation with the local Judiciary, whereby the bulk of new maintenance orders issued are direct payment orders (62,840 during the financial year under review), and where existing orders are reviewed and re-issued as direct payment orders (15,284 for the financial year under review). After objective assessment including risks, by appointed maintenance officers and maintenance investigators, a recommendation for direct payments is presented to the judicial officer (magistrate) for approval and relevant court order. The success of this project has seen a significant reduction in the number of maintenance payments that must be dealt with by JAF and a reduction in the volume and value of the total turn-over of JAF monies.

This process, however, takes time, as all stake-holders (obligor, beneficiary and employer) have to agree to this process and/or have to be informed thereof. In many instances, employers claim not to have the necessary systems and resources in place to administrate this function. The DoJ&CD will, however, continue engaging with larger employers such as government departments to make this project a success.

The DoJ&CD has reached an agreement whereby the DoJ&CD, through MojaPay, can deduct monies directly from the emoluments of government employees through PERSAL (National Departments, Provincial Departments and Government Components, except the Department of Defence that works on PERSOL). This has the effect that these deductions are paid to JAF centrally, with the correct reference number. Once received by the Department, the monies are allocated and paid to beneficiaries on the second working day after receipt. Previously, these monies were paid to the different courts of the Department for processing, and, due to all the manual processes involved, it took between 5 and 20 working days before beneficiaries received their monies. In many instances, these payments were not correctly referenced and resulted in payments being made to incorrect beneficiaries. During March 2018, a total of 4,074 such deductions were processed. During March 2019, this increased to a total of 19,674.

The DoJ&CD has also reached agreements with several employers and/or their service providers (including the Department of Defence) for bulk payments to be made to the JAF bank accounts.

#### **(b) Bail**

Bail payments in respect of the Criminal Procedure Act, 1977 (Act No. 51 of 1977), that are made to courts as well as police stations and correctional facilities throughout the country are held on behalf of depositors by JAF until the finalisation of criminal cases.

When such monies are paid at police stations or correctional facilities, the monies are paid to courts in cash or by bank branch deposit by the South African Police Service and the Department of Correctional Services.

#### **(c) Other payments into court**

These payments are also sometimes referred to as civil payments and compensation fines and refer to payments made to court in terms of a Rule of Court or any other law, of which the intended beneficiary is a third party. This includes, but is not limited to, security deposits in civil cases, compensatory awards in criminal cases, as well as payments in respect of Small Claims Court cases, where the Commissioner instructs that reparations are made through the JAF.

### **3. SYSTEMS REVIEW AND DEVELOPMENT**

#### **(a) JDAS (legacy system)**

The Justice Deposit Account System (JDAS), utilised for the administration of JAF and other monies, was designed as a case administration system with payments and receipts recording functionality, but not as a financial accounting system with the prescribed accounting and financial reporting capabilities required in terms of current governance requirements. Transactions are recorded at court level on JDAS and then payments are made to maintenance and compensation fines beneficiaries, as well as refunds or payments made to bail depositors and payments into court depositors.

It is envisaged that closure of all legacy system bank accounts and restricted access to related JDAS data base will take place during the 2019/2020 financial year.

The various limitations placed on reporting data are *inter alia* due to the shortcomings of JDAS which resulted in system errors and other invalid balances arising. These items were removed from the relevant financial statement components and grouped into the ring-fenced balance. The DoJ&CD has managed, during the financial year under review, to clear R1 million of these balances, down from a R2,4 million asset to a R1.4 million asset. The remainder of the ring-fenced balances will be investigated further during the course of the 2019/2020 financial year.

**(b) MojaPay (SAP)**

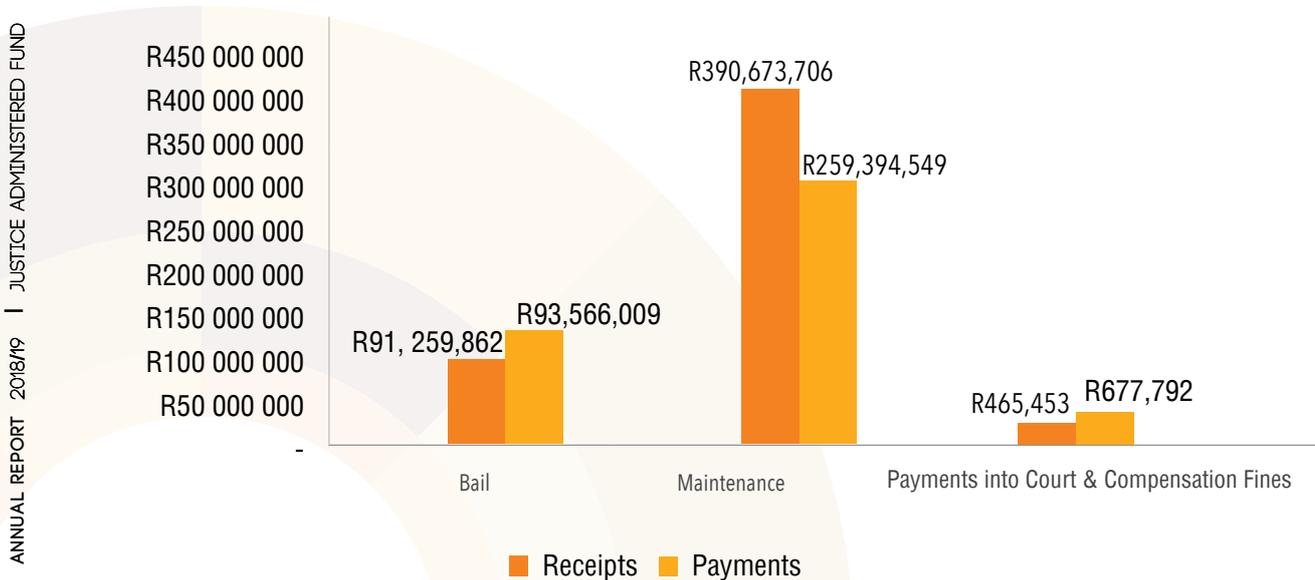
During November 2014, the Department procured a SAP-based commercial off-the-shelf (COTS) software application that was reconfigured to align to the newly designed Standard Operating Procedures whilst addressing the need for improved financial administration and accounting. The analysis and design phases of the new system were finalised on 31 March 2015, and the system was configured and thoroughly tested during the 2015/2016 financial year. Standard Operation Procedures (SOPS) and training material in respect of MojaPay were also developed and tested. The pilot phase officially ended on 31 July 2016.

The Department has initiated MojaPay at 428 courts and 12 State Attorney Offices as at 31 March 2019, increased from 277 courts and 12 State Attorney Offices as at 31 March 2018. It is envisaged that the Department will implement MojaPay at the remainder of the offices (45 courts – mainly in the Western Cape) by 31 December 2019.

Before a departmental office is implemented on MojaPay, each official at such an office must complete a two week training course, followed by a competency test. Since project initiation in August 2016 to 31 March 2019, a total of 3,065 court officials were trained (this includes train-the-trainer training):

Gauteng	318
Free State	689
Northern Cape	251
North West	226
Eastern Cape	570
KwaZulu-Natal	412
Mpumalanga	279
Limpopo	211
Western Cape	109

During the 2018/2019 financial year, the following receipts and payments were recorded on MojaPay:



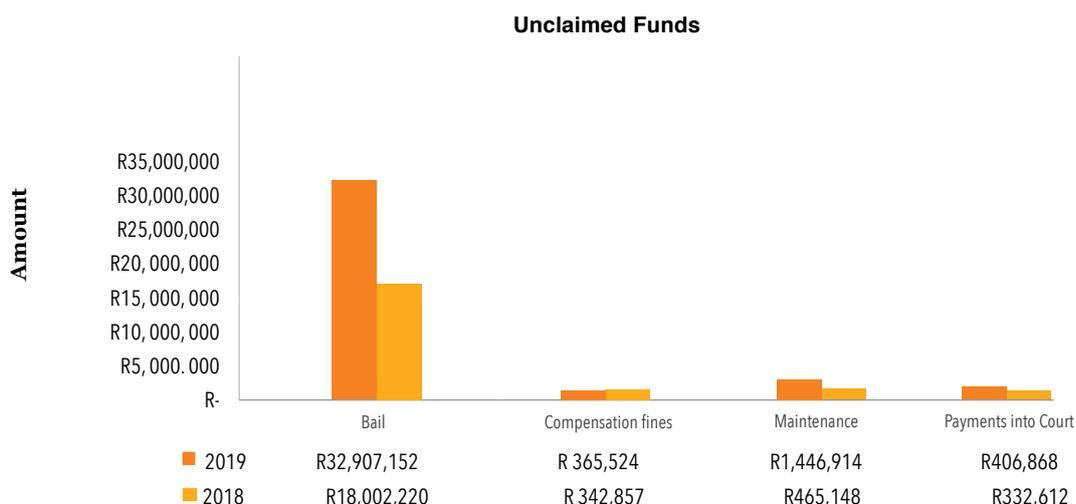
MojaPay is a fully automated system that will eradicate the need for office level staff to perform monthly bank reconciliations and repetitive manual transactions on a daily, weekly, and monthly basis.

The main reason for the extended implementation finalisation is due to the low quality of data available in the legacy system, the relevant supporting documentation, as well as the time it takes to issue amended maintenance orders for the new service and payment channels. A further obstacle is the conversion of current maintenance orders to amended maintenance orders. The DoJ&CD does not always have the updated information regarding maintenance obligors and beneficiaries. In this regard, please take note that in some instances, certain maintenance cases were initiated up to and in excess of twenty years ago.

**(c) Management of unclaimed monies**

Due to a previous determination by the National Treasury, all unclaimed monies in respect of bail, maintenance, payments into court and compensation fines had to be kept for a period of thirty (30) years. This determination took effect from 1 April 2014. This will be brought in line with the JAF Act and will only be kept in place for 10 years. The first payments to the National Revenue Fund will thus take place during the 2024/2025 financial year.

Unclaimed monies from the legacy system have therefore been kept separate since 1 April 2014, and as at 31 March 2018 the balance of these monies was R19.1 million. As at 31 March 2019, the balance of unclaimed monies is R35.1 million, consisting of the following:



**4. LEGISLATIVE REFORM**

The Justice Administered Fund Act, 2017 (Act No. 2 of 2017) was assented to on 6 April 2017 and implemented on 1 April 2018.

Consequently, as from 1 April 2018, monies not included in the Act, but previously reported on as part of the JAF financial statements, are now reported on in the Vote financial statements of the DoJ&CD (for the 2018/2019 financial year and subsequent financial years). Monies received and paid in respect of maintenance, bail, compensation fines and payments into court, are reported on in the financial statements in respect of the JAF.

As a result, Fines and State Attorney monies received for the 2018/19 financial year were adjusted accordingly.

## 5. TARIFF POLICY

No fees are charged for the services rendered in respect of JAF; in particular, for the maintenance paid to the most vulnerable in society.

Please, however, take note that in terms of the JAF Act, interest earned on bank balances are to be utilised for the offset of bank charges.

## 6. CORPORATE GOVERNANCE ARRANGEMENTS

The governance processes of the Department are driven by the Executive Committee (EXCO) under the guidance of the Accounting Officer and the Minister of Justice and Correctional Services, and under the oversight of the Audit and Risk Committee.

Corporate governance is placed as one of the significant responsibilities of EXCO in line with the relevant King Reports requirements.

To enable the Accounting Officer and EXCO to discharge their responsibilities and duties, certain responsibilities have been delegated to the following sub-committees:

- a) Policy Development and Coordinating sub-committee
- b) Strategy and Operations sub-committee
- c) Risk Management sub-committee
- d) Audit and Finance sub-committee
- e) Human Resources sub-committee
- f) Corporate Governance sub-committee
- g) Service Delivery and Communications sub-committee
- h) Information and Communication Technology sub-committee

The governance structures are reviewed regularly to incorporate developments and new trends within the Department and in the public sector.

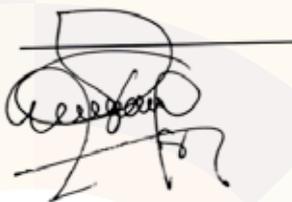
EXCO is accountable for the processes of risk management. The Audit and Risk Management Committees fulfil the role of oversight at different levels. EXCO takes the initiative to ensure that all its members are leading and directing the operations and service delivery initiatives in a manner that is consistent with ethical standards.

All departmental actions are governed by ethical principles which are contained in the Fraud Prevention Plan and Code of Ethics and Business Conduct of the Department.

The Fraud Prevention Plan and the Whistle Blowing Policy were approved after proper consultation within the Department. The Anti-Fraud and Risk Management Committee will monitor the progress in terms of the implementation of the plan and the Whistle Blowing Policy.

## 7. APPROVAL

The Annual Financial Statements set out on pages 21 to 34 have been approved by the Accounting Officer.



.....  
**Mr V Madonsela**  
**Director General: Department of Justice and Constitutional Development**  
**31 July 2019**

REPORT OF THE  
AUDIT COMMITTEE  
ON THE JUSTICE  
ADMINISTERED  
FUND



## REPORT OF THE AUDIT COMMITTEE ON THE JUSTICE ADMINISTERED FUND

### 1. REPORT OF THE AUDIT COMMITTEE

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

#### 1.1 Audit committee members and attendance

The Audit Committee consists of the members listed below, and is required to meet at least four times per annum as per its approved terms of reference. During the current year five (5) meetings were held and attendance was tabled.

Name of members	Numbers of meetings attended	Status
Mr. Motsamai Karedi (Chairperson)	5	Reappointed - 23 April 2019
Mr. Cedric Boltman	5	Reappointed -23 April 2019
Ms. Besky Ngunjiri	5	Reappointed - March 2015
Mr. Wilson Ramabulana	5	Reappointed - 23 April 2019
Mr. Andrew Sello	5	Reappointed - 23 April 2019

#### 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 Justice Administered Fund controls have improved significantly during the year under review. This together with continuous improvement in the administrative system has contributed to the positive audit outcomes.

The Audit Committee is satisfied with the improvements on the operations controls implemented which supports the preparation of financial statements.

### INTERNAL AUDIT

The Department of Justice and Constitutional Development's Internal Audit Unit is responsible for the review of the Justice Administered Fund. We are satisfied that the Internal Audit function is operating effectively and that it has addressed the risk pertinent to the entity in its audit. The Internal Audit completed their 2018/2019 audit plan as approved by the Audit Committee. We have met with Internal Audit during the year to ensure that the function is executed effectively and objectively.

## 1.4 REPORTS

### 1.4.1 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 Fund during the year under review.

### 1.4.2 Evaluation of financial statements

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

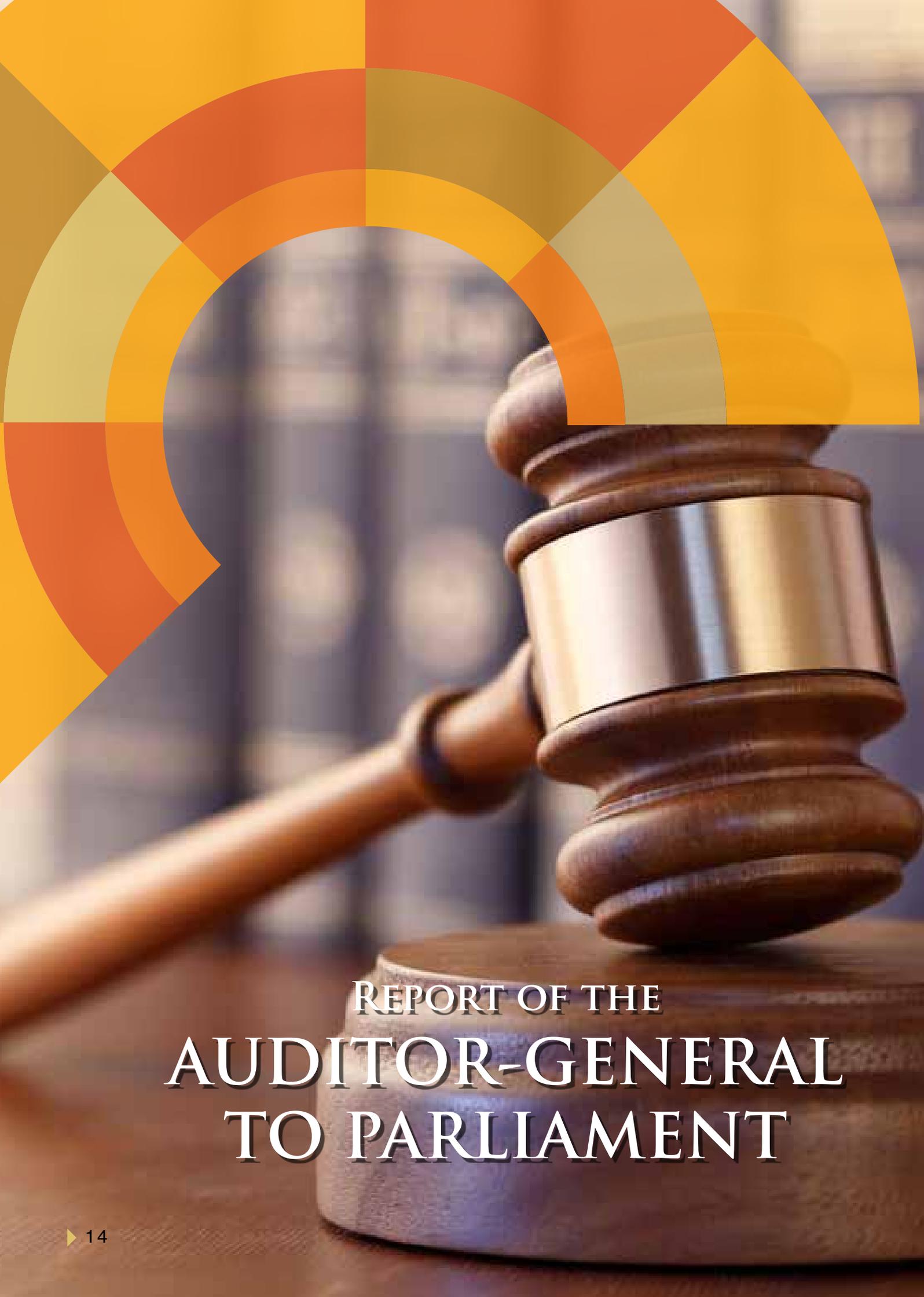
## 1.5 AUDITOR-GENERAL SOUTH AFRICA

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.



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



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

## **Report of the Auditor-General to Parliament on the Justice Administered Fund**

### **Report on the audit of the financial statements**

#### **Opinion**

1. I have audited the financial statements of the Justice Administered Fund set out on pages 21 to 34, which comprise of the statement of financial position as at 31 March 2019 and the statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Justice Administered Fund as at 31 March 2019, and its cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP).

#### **Basis for opinion**

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

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

6. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting officer is responsible for assessing the Justice Administered Funds' ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention to either liquidate the fund or to cease operations, or there is no realistic alternative but to do so.

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

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

### **Report on the audit of the annual performance report**

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

### **Report on the audit of compliance with legislation**

#### **Introduction and scope**

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

#### **Other information**

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

#### **Internal control deficiencies**

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

*Auditor-General*

**Pretoria  
31 July 2019**



## **Annexure – Auditor-General’s responsibility for the audit**

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

### **Financial statements**

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

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

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

A hand holding a pencil is positioned over a calculator. The calculator is black with various function keys like 'M+', 'M-', 'MRC', 'MIR', 'MC', and 'MR'. The background is a blurred office setting. A decorative arch composed of overlapping semi-circles in shades of orange and yellow is overlaid on the top half of the image.

# FINANCIAL STATEMENTS



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STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2019

		2019	2018
		R	R
<b>ASSETS</b>			
<b>Current Assets</b>			
Statutory receivables	3	17,785,113	25,706,574
Courts		17,785,113	23,553,568
State Attorney			2,153,006
Other financial assets	7	1,439,939	2,457,098
Cash and cash equivalents	4	476,641,788	893,008,585
<b>TOTAL ASSETS</b>		<b>495,866,840</b>	<b>921,172,257</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables - Justice Administered Fund	6	495,866,840	921,172,257
Other financial liabilities	7	-	
<b>TOTAL LIABILITIES</b>		<b>495,866,840</b>	<b>921,172,257</b>

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

		2019	2018
		R	R
Net cash flow from administration activities			
Receipts from third parties	5	1,755,581,102	2,665,411,559
Payments to third parties	5	(1,770,594,262)	(2,610,392,053)
Net movements in shortages as well as maintenance debtor and RD cheques		13,703,340	5,713,733
Net movement in system reconciliation		-	(1,648)
Net movement in consolidated national bank balance		(20,297,460)	(652,123)
Net interest received and bank charges		(4,497,203)	18,021,742
Net movement in unclaimed bank balance		15,983,623	9,596,423
Other adjustments		5,037,056	(661,215)
Net (decrease) /increase in cash and cash equivalents		(5,083,803)	87,036,420
Cash and cash equivalents at the beginning of the year		893,008,585	805,972,165
Less: State Attorney and Fines Transfer		(411,282,994)	
Cash and cash equivalents at the end of the year		476,641,788	893,008,585

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The primary function of the Justice Administered Fund is the administration of the categories of transactions stated below on behalf of third parties by:

- The identification, creation, maintenance and management of benefactors and beneficiaries;
- The management of the receipts and payments on behalf of benefactors and beneficiaries;
- The accurate accounting of all transactions and safeguarding of administrative documentation;
- The timely and accurate reporting of transactions.

The Justice Administered Fund Act was assented to on 6 April 2017 and implemented on 1 April 2018.

#### Categories and nature of transactions

**Bail:** Where an accused is granted bail by a judicial officer or a duly authorised official. These funds are retained until a court authorises the return of the funds to the depositor upon completion of the case if the bail conditions have been met, or they are forfeited to the state as a court fine, or they are paid over to the National Revenue Fund when the monies remain unclaimed for a period longer than ten years after it has been authorised to be repaid to the depositor.

**Maintenance:** Funds are received from obligors in accordance with an order of court, which are then paid to beneficiaries/complainant or returned to the obligor or to the National Revenue Fund if the monies remain unclaimed for a period of longer than ten years.

**Compensatory fines:** Criminal court orders for a given defendant to pay compensation to a plaintiff.

**Payments into court:** Civil action where an offer is made in settlement of a plaintiff's claim. These security payments may in certain cases be made without a court order, where a defendant pays into court an amount, without prejudice, as an offer in settlement of a plaintiff's claim in a civil case, pending acceptance by the plaintiff. Unclaimed payments are paid over to the National Revenue Fund when the monies remain unclaimed for a period longer than ten years after it has been authorised to be repaid to the depositor.

**Unclassified monies:** Money received that cannot immediately be classified into one of the above categories, which originates from an unknown source, or maintenance monies received for which the obligor or employer has not yet forwarded the detailed beneficiary list. If the origin of these monies cannot be traced or classified within six months, the monies are deposited to the National Revenue Fund.

## 2. ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis except where stated otherwise in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP). These Standards of GRAP have been applied as required by par. 38 of Government Gazette 40021 of 27 May 2016. The Government Gazette specifies that where applicable legislation is not prescriptive in terms of the financial statements, entities are required to prepare financial statements in accordance with GRAP.

These financial statements are presented in South African Rand. 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).

The Fund's principal accounting policies, which are in all material respects consistent with those applied in the previous year, except as stated in Note 13, are set out below.

### 2.2 Applicable Standards of GRAP

In the current year, the Fund has adopted all new and revised standards and interpretations issued by the ASB that are relevant to its operations and are effective. The adoption of these new and revised standards and interpretations has resulted in no changes to the accounting policies.

The Fund has early adopted the following standards and interpretations that have been approved but are not yet effective for the current financial year and that are relevant to its operations:

#### **GRAP 108 - Statutory Receivables.**

JAF formulated an accounting policy using the principles of the Standard to account for Receivables and Payables.

The Fund has not adopted any other GRAP Standard that is not yet effective, but has based its accounting policies on such standards. At the date of submission of these financial statements for the year ended 31 March 2019, the following standards had been issued but were not yet effective:

Standard	Effective Date	Expected impact
GRAP 108 – Statutory Receivables	No date determined yet	Already early adopted – No impact
GRAP 20 – Related Party Disclosures	No date determined yet	Minimal – certain additional disclosures may be required
GRAP 32 – Service Concession Arrangements: Grantor	No date determined yet	No impact
GRAP 109 – Accounting by Principals and Agents	No date determined yet	Minimal

## **2.3 Summary of significant accounting policies**

### **2.3.1 Financial instruments**

Financial instruments of the JAF only comprise cash and cash equivalents and are classified as financial assets at amortised cost, except if bank balances are in overdraft, in which case they are classified as financial liabilities at amortised cost.

Financial instruments at amortised cost are recognised when the JAF becomes a party to the transactions and are initially measured at fair-value, including transaction costs, and subsequently measured at amortised cost, using the effective interest method.

Financial assets are subject to annual impairment review. JAF would assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit.

#### **JAF would derecognise a financial instrument only when:**

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- Substantially all of the risks and rewards of the financial instrument are transferred to another party; or
- In the case of a financial asset, JAF has transferred control even if it retains some significant risks and rewards of ownership.

### **2.3.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and at the bank at reporting date. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash at bank is held with reputable banking institutions in the name of the Department of Justice and Constitutional Development. Cash equivalents include cash received on behalf of JAF by other government institutions mandated to receive such monies, which is still in transit. The balance of cash and cash equivalents accrues to third parties. Refer to payables note below.

### **2.3.3 Statutory receivables**

Statutory receivables arise from the legal activities of the JAF and represent amounts that are recoverable from another identifiable party and include, but are not limited to, dishonoured cheques, maintenance debtors and shortages. Receivables are initially measured at the amount of cash receivable (the transaction amount) and subsequently at cost plus any interest or fees associated with the receivable.

Statutory receivables are derecognised when the JAF receives the amounts owing or when amounts are written off through DOJ&CD Vote funding when irrecoverable.

#### **2.3.3.1 Dishonoured cheques**

Dishonoured cheques debtors are recognised in the Statement of Financial Position when cheques received from various obligators are returned “Refer to Drawer” by the financial institutions only after a payment had already been made to the third party beneficiary in the interest of service delivery. Following an internal investigation, the Department of Justice and Constitutional Development may write - off the amount.

### 2.3.3.2 Maintenance debtors

Maintenance debtors are raised when maintenance payments are made to incorrect beneficiaries due to incorrectly referenced payments received.

### 2.3.3.3 Shortage debtors

Monies collected over the counter are deposited at a financial institution on a regular basis. Where the amount deposited is less than the amount collected/receipted, a cash shortage is recorded. All cash shortages are investigated and a receivable is raised for shortages. Following an internal investigation, the Department of Justice and Constitutional Development may write - off the amount.

### 2.3.3.4 State institutions and other receivables

The receivable state institutions and other receivables refers to money due from state institutions that includes provincial governments and local authorities.

### 2.3.4 Payables

Payables arise from amounts that are due and payable to beneficiaries. Payables do not meet the definition of financial liabilities as described in GRAP 104 due to the following reasons:

- Payables arise out of non-contractual arrangements
- Performance and remedy of non-performance is not enforceable by law
- The transactions are executed in terms of legislation opposed to a contract

As GRAP 104 is not relevant to payables in this instance, the recognition and subsequent measurement principles in GRAP 108 – Statutory Receivables will be applied as the payables have similar characteristics of the definitions described in this Standard.

Payables are subsequently measured at cost less payments made.

Payables are derecognised when the rights to the cash outflows from the payable are settled, expired or waived.

### 2.3.5 Other financial assets and liabilities

Other financial assets and liabilities consist of ring-fenced balances. The purpose of ring-fencing balances is to isolate amounts that cannot be verified under cash and cash equivalents, payables and statutory receivables. The various limitations placed on reporting data is due to the shortcomings of the reporting/accounting system – namely, JDAS which resulted in system errors and other invalid balances arising. Furthermore, much reporting data incorporates balances onto JDAS from the previous reporting system, which was implemented many years ago and was inappropriate.

These items were removed from the relevant financial statement components and grouped into the ring-fenced balance. The balance will be placed under investigation.

Balances transferred from ring-fenced assets and liabilities are offset. Management considers this to be appropriate as the net balance would represent the actual unknown amounts.

Ring-fenced balances are recognised at the carrying amounts of cash and cash equivalents, statutory receivables and payables at date of transfer to the ring-fenced balance. This account is subsequently carried at this cost until valid payments or receipts are made to clear the balances. Once management has fully investigated the balances and no explanation or support can be found for the balances, these amounts will be written off to surplus and deficit or derecognised.

Fair presentation of the financial statements will be strengthened through this once-off ring-fencing, as other components of the financial statements now give a fair reflection of the current year's operations and balances at year end.

### **2.3.6 Statement of cash flows**

The statement of cash flows does not present cash flows from operating, investing or financing activities as funds collected from or distributed to third parties do not accrue to the Justice Administered Fund due to the nature of its operations. However, in order to achieve fair presentation, cash flows from administration activities have been presented.

### **2.3.7 Related parties**

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

### 3. STATUTORY RECEIVABLES

	2019	2018
	R	R
<b>Courts</b>		
Dishonoured cheques	528,312	505,526
Maintenance debtors	1,312,739	1,848,996
Shortage debtors	14,501,255	14,852,758
State institutions and other receivables	278,131	37,010
Vote: Receivable from the Department of Justice and Constitutional Development	1,164,676	6,309,278
<b>State Attorney</b>		
State Attorney receivable	-	94,449
Vote Receivable from the Department of Justice and Constitutional Development	-	2, 058,557
<b>Total Statutory Receivables</b>	<b>17,785,113</b>	<b>25,706,574</b>

	Counter shortages	Maintenance overpayments	Dishonoured cheques	State Institutions	VOTE: Receivable from DoJ&CD	TOTAL
0 to 6 months	120,406	52,100	400	26,800	825,856	1,025,562
7 to 12 months	201,038	120,155	-	6,997	-	328,190
13 to 24 months	1,788,268	113,786	375,219	45,419	245,670	2,568,363
25 to 36 months	3,759,700	93,885	4,600	34,079	93,150	3,985,414
37 to 60 months	3,390,597	205,744	7,090	62,984	-	3,666,415
61 months plus	5,241,246	727,067	141,003	101,852	-	6,211,168
<b>Total Amount</b>	<b>14,501,255</b>	<b>1,312,739</b>	<b>528,312</b>	<b>278,131</b>	<b>1,164,676</b>	<b>17,785,113</b>

#### 4. CASH AND CASH EQUIVALENTS

	2019	2018
	R	R
Cash and cash equivalents consist of:		
Consolidated Corporate Account Balance	2,048,848	26,843,510
Consolidated Court Balance	439,466,481	480,470,696
Consolidated State Attorney Balance	-	366,551,541
Unclaimed Funds	35,126,459	19,142,838
Balance as at 31 March	<u>476,641,788</u>	<u>893,008,585</u>

#### 5. CLASSES OF RECEIPTS AND PAYMENTS

Cash receipts from third party transactions

- DoJ&CD Courts	1,755,581,102	2,106,012,195
- State Attorney	-	559,399,364
	<u>1,755,581,102</u>	<u>2,665,411,559</u>

Cash payments from third party transactions

- DoJ&CD Courts	(1,770,594,262)	(2,054,656,745)
- State Attorney	-	(555,735,308)
	<u>(1,770,594,262)</u>	<u>(2,610,392,053)</u>

## 6. PAYABLES - ADMINISTERED FUND PAYABLES

	2019	2018
	R	R
<b>State Attorney</b>		
National Revenue Fund	-	2,576,950
State organisations	-	331,641,406
Unclassified monies	-	16,171,470
Interest payable	-	25,370,163
<b>Vote: Payable Corporate Accounts</b>	2,048,848	10,831,725
<b>Courts</b>		
Bail	363,981,533	339,414,127
Maintenance	76,888,970	63,637,073
Unclassified monies	39,797,907	46,556,117
Fines	-	71,563,978
Payments into court	6,496,848	7,890,347
Contribution	1,100	750
Compensatory fines	6,393,739	5,518,151
Vote payable	257,895	-
	495,866,840	921,172,257
	495,866,840	921,172,257

## 7. OTHER FINANCIAL LIABILITIES

The DoJ&CD launched and completed a ring-fencing exercise in 2016/17. The purpose of the ring-fencing exercise was to isolate amounts and transactions that cannot be verified under cash and cash equivalents, payables and statutory receivables based on historical limitations of the system.

The various limitations placed on reporting data are inter alia due to the shortcomings of the administrative system JDAS which resulted in system errors and other invalid balances arising. These items were removed from the relevant financial statement components and grouped into this ring-fenced balance under other financial liabilities. These balances and transactions are available at the office level and have been aged. The balances were investigated and cleared through obtaining supporting documentation, fixing data errors and pay-overs of funds to the National Revenue Fund as prescribed over the medium term (the next 2 years). These activities and the clearing of historical balances are in preparation for the deployment of a new SAP-based financial administration.

	As disclosed in 2017/2018	As disclosed in 2018/19	Movement	Nature of movement
Receivables	11,091,685	2,147,293	(8,944,392)	
Courts	11,091,685	2,147,293	(8,944,392)	Clearing of invalid shortages, write-off by delegated authority and recovery of overpayments.
Cash and cash equivalents	17,800,346	12,563,565	(5,236,781)	The net impact of clearing the receivables and payables and the clearing of system and data errors, such as erroneous postings of interest and charges.
Payables	(26,434,932)	(13,270,919)	(5,191,715)	
Courts	(18,462,634)	(13,270,919)	(5,191,715)	Pay - overs to beneficiary institutions (including NRF) and identified beneficiaries, and clearing of beneficiary listings.
State Attorney	(7,972,298)	-	(7,972,298)	Pay-overs to beneficiary institutions (including NRF) and identified beneficiaries and clearing of beneficiary listings
Other financial liabilities	2,457,098	1,439,939	(1,017,159)	

## 8. INTEREST RECEIVED AND BANK CHARGES

	2019 R	2018 R
Bank charges	(34,366,881)	(28,234,238)
Interest received	29,869,678	46,255,979
	<u>(4,497,203)</u>	<u>18,021,742</u>

## 9. GOING CONCERN

The Justice Administered Fund continues to act as an agent of the Department of Justice and Constitutional Development and the Department will continue to support it in these operations. Therefore, these 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 its operations.

## 10. EVENTS AFTER THE REPORTING PERIOD

The Accounting Officer is not aware of any matter or circumstance arising since the end of the reporting date that might have a material impact on the amounts disclosed.

## 11. RELATED PARTY TRANSACTIONS

Name of related party:  
Department of Justice and Constitutional Development.  
Relationship:

While the operating expenses of the Fund are financed by the Department of Justice and Constitutional Development, it is not possible to accurately estimate the value of those transactions because of the intricate set of the relationship. In terms of the Justice Administered Fund role as a custodian of funds due between third parties and the nature of its operations, no income or expenditure is accrued to the Justice Administered Fund.

In addition, interest and bank charges accrue to the JAF Reserve account. This results in the statement of financial performance as well as statement of changes in net assets not reflecting any amounts

	2019	2018
	R	R
Total administration costs (salaries) disclosed as:	4,553,356	5,882,021
Office of the CFO	4,553,356	5,882,021
Key personnel costs disclosed as:	4,553,356	5,882,021
Level 15 - Chief Financial Officer (1)	1,697,475	1,573,287
Level 14 - Chief Director (1)	1,566,117	1,426,599
Level 13 - Directors (1)	1,289,764	2,882,135

**NOTE:** In the previous financial year there were two directors.

## 12. FINANCIAL RISK MANAGEMENT

The JAF is exposed to the following financial risks due to the nature of its operations:

- Credit risk
- Interest rate risk

The JAF has employed the following activities in the management of these risks:

### 12.1 Credit risk

Cash held at bank

The bank balances represent the maximum exposure to credit risk of the Fund. The Fund, only banks with reputable banking institutions with highest credit ratings.

These institutions are:

- ABSA – F1+
- Nedbank – F1+
- Standard Bank – F1+
- First National Bank – F1+

### 12.2 Interest rate risk

The Fund does not actively manage its exposure to changes in the interest rate applicable to its bank balances which carry interest at a variable rate. The Fund's bank balances are of a short term nature and therefore the exposure is minimal. The Fund is not allowed to manage available cash balances to maximise return, as the amounts in bank are essentially owed to third parties.

### 12.3 Compliance risk

Compliance risk is defined as the risk of legal sanctions, material financial loss, or loss to reputation the Fund may suffer as result of its failure to comply with laws, its own regulations, code of conduct and standards of best/good practice. Compliance is managed through the DFI, the JAF Financial Directives and Standard Operating Procedures Procedure Manuals (which are updated regularly), and training interventions.

### 13. Effect of legislation change

The Justice Administrated Fund Act was assented to on 6 April 2017 and implemented on 1 April 2018. The effect of the Act will be that, as from 1 April 2018, agency collected monies not included in the Act, but previously reported on as part of the TPF (Third Party Fund) financial statements, will solely be reported on in the Vote financial statements of the DoJ&CD, while monies received and paid in respect of maintenance, bail, compensation fines and payments into court, will be reported on in the financial statements in respect of the JAF (Justice Administered Fund).

The effect of this change on the current period is shown below:

	2018/2019	Less: Assets Transferred Liabilities Relinquished	As Disclosed
<b>13.1 Statement of Financial position</b>			
Statutory receivables	17,959,875	174,762	17,785,113
Cash and cash equivalents	670,372,852	193,731,064	476,641,788
Payables	691,050,295	195,183,454	495,866,841
<b>13.2 Statement of cash flow</b>			
Cash receipts	2,214,998,151	459,417,049	1,755,581,102
Cash payments	(2,436,686,747)	(666,092,485)	(1,770,594,262)
Interest and bank charges	(5,868,789)	(1,371,586)	(4,497,203)
Cash and cash equivalents at the beginning of the year	893,008,585	411,282,993	481,725,592





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