



# JUSTICE ADMINISTERED FUND

## 2019/20

*Department of Justice and  
Constitutional Development*



**the doj & cd**

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



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REPORT BY THE  
ACCOUNTING OFFICER  
FOR THE JUSTICE  
ADMINISTERED FUND  
FOR THE FINANCIAL  
YEAR ENDED  
31 MARCH 2020

*FOR THE YEAR ENDED  
31 MARCH 2020*

**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 2020**

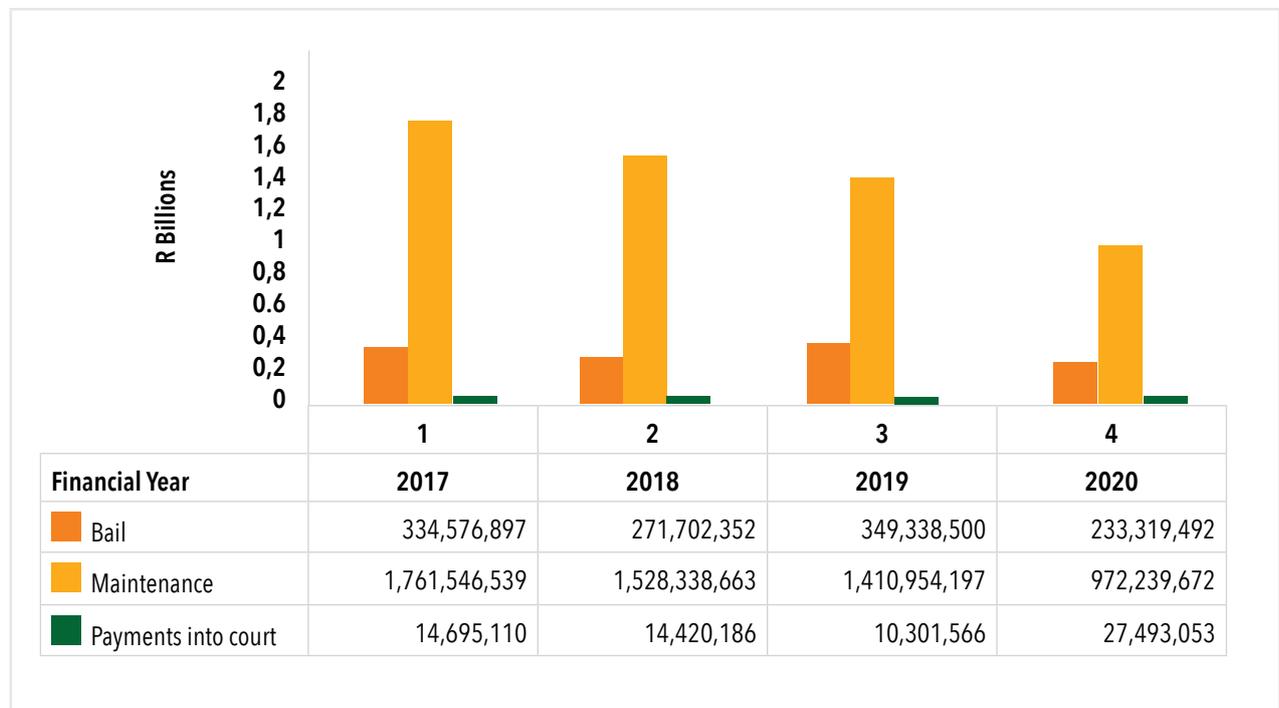
**1. INTRODUCTION**

The Justice Administered Fund (JAF) has been established in terms of the Justice Administered Fund Act, 2017 (Act 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 depositors and the safe-keeping of payments into court.

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

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

Receipts from obligors and depositors during the financial year amounted to R 1, 238 billion, while payments and refunds to beneficiaries and depositors amounted to R 1, 233 billion. The following table reflects the total payments for 2019/20 and the three preceding financial years in respect of the various categories to various beneficiaries and depositors.



## 2. SERVICES RENDERED:

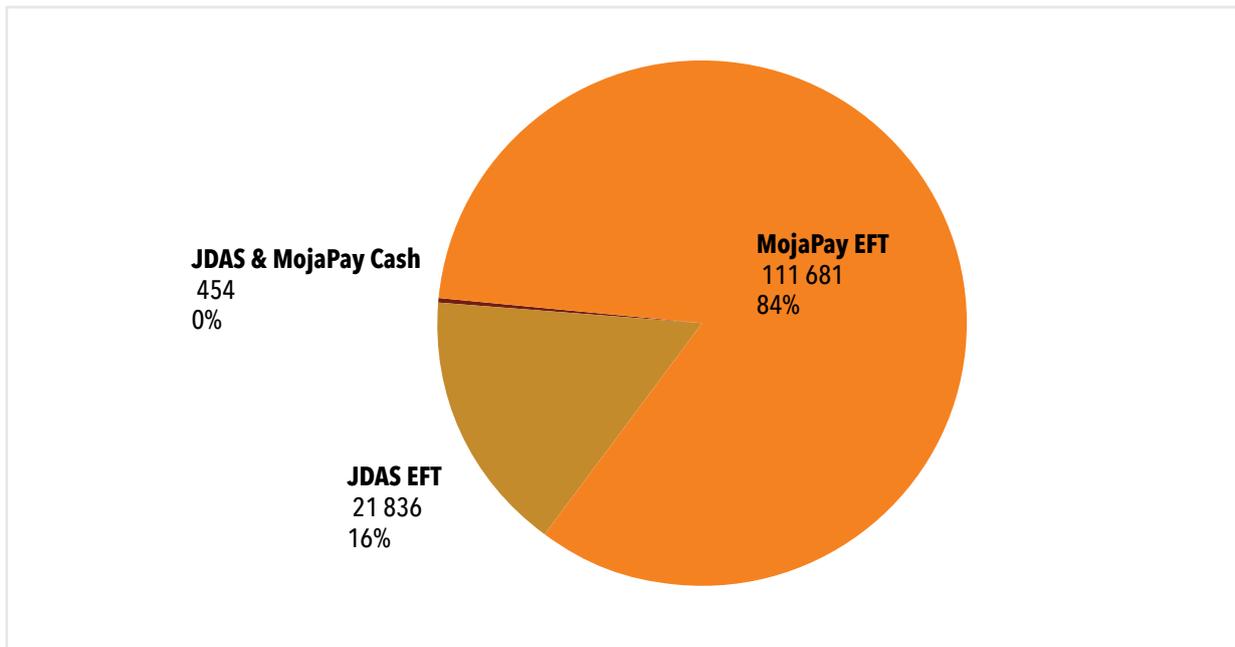
### (a) Maintenance:

The JAF receives and pays maintenance on behalf of maintenance defendants and plaintiffs respectively. In this regard, it administers 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.

The graph below indicates the relationship of MojaPay EFT and cash payments versus legacy system EFT and cash payments made in respect of maintenance in respect of March 2020:



More than 99% of maintenance beneficiaries are receiving 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 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) having to deposit monies directly to the bank account of the beneficiary. After consultation with the Chairperson of the Magistrates' Commission, all regions have initiated projects, in consultation with the local Judiciary, whereby the bulk of new maintenance orders issued are direct payment orders (64 068 during the financial year under review) and where existing orders are reviewed and re-issued as direct payment orders (12 117 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.

Below please find a breakdown per region of new Direct Payment orders issued and existing orders converted to Direct Payments:

<b>REGION</b>	<b>NEW ORDERS</b>	<b>CONVERTED ORDERS</b>
Eastern Cape	4 766	1 652
Free State	6 016	3 319
Gauteng	15 826	1 161
Limpopo	9 449	2 323
Mpumalanga	5 588	1 672
Northern Cape	1 191	68
North West	4 558	33
KwaZulu-Natal	8 100	1 488
Western Cape	8 574	401

This process however takes time as all stakeholders (obligor, beneficiary and employer) must agree to this process and/or must be informed thereof. In some instances, employers claim not to have the necessary systems and resources in place to administrate this function, while other employers prefer this method. 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 and during March 2020 had increased to 30 029.

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. As far as the Department of Defence is concerned, the DoJ&CD processed 4 145 payments received for March 2020.

**(b) Bail:**

Bail payments in respect of the Criminal Procedure Act, 1977 (Act 51 of 1977) made to courts throughout the country as well as police stations and correctional facilities, 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 include payments sometimes referred to as Civil Payments and Compensation Fines or awards and refers to payments made to court in terms of a Rule of Court or any other law, of which the intended beneficiary may be 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 were recorded at court level on JDAS and then payments were 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 remaining legacy system bank accounts and restricted access to the related JDAS data bases' will take place during the 2020/21 financial year. As at 31 March 2020, 101 court-based legacy bank accounts were still active.

The various limitations placed on reporting data were 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 some of these balances and the net result of this is an increase from a R 1, 4 million asset to a R 2, 3 million asset. The remainder of the ring-fenced balances will be investigated further during the 2020/21 financial year.

#### (b) MojaPay (SAP):

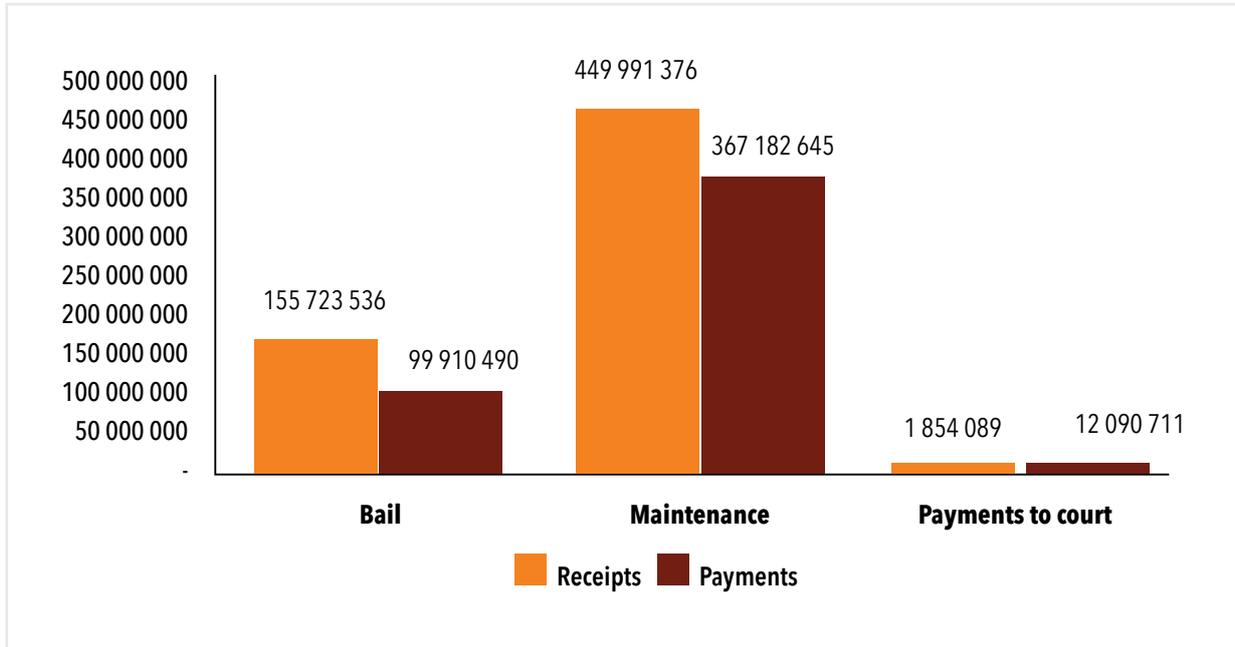
During November 2014, the Department procured an SAP-based Commercially of the Shelf (COTS) Software Application that was reconfigured to align to the newly designed Standard Operating Procedures whilst addressing the need for improved financial administration and accounting. The analysis and design phases of the new system were finalised on 31 March 2015, and the system was configured and thoroughly tested during the 2015/16 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 476 courts and 12 State Attorney Offices as at 31 March 2020. This is in comparison to 428 courts and 12 State Attorney Offices as at 31 March 2019. It is envisaged that the Department will implement MojaPay at the remainder of the offices (7 courts in the Western Cape) by 31 December 2020.

Before a Departmental Office is implemented on MojaPay, each official at such office must complete a two-week training course after which such officials must complete a competency test. Since project initiation in August 2016 to 31 March 2020, a total of 3 388 office level 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	275
State Attorney	120
Other (Forensic & Internal Auditors)	37

During the 2019/20 financial year, the following receipts and payments were recorded on MojaPay (in South African Rand):



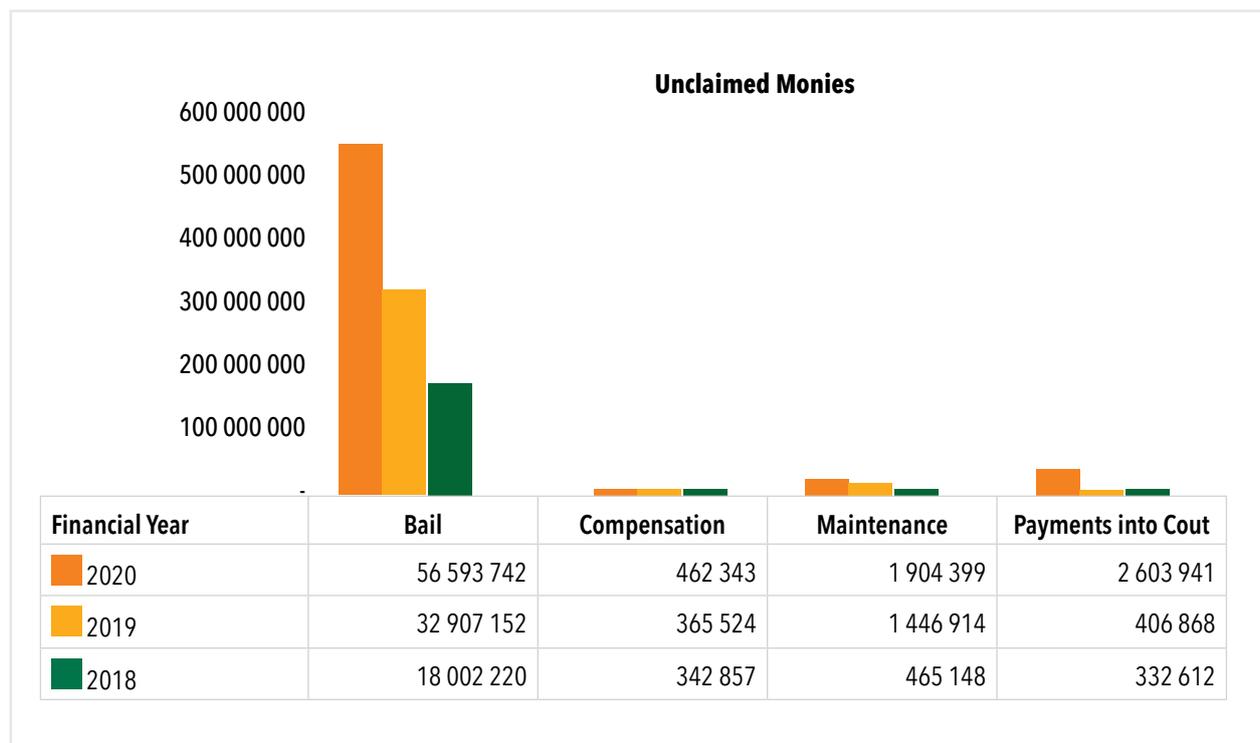
MojaPay is a near fully automated system, which eradicates the need for office level staff to perform monthly bank reconciliations and repetitive manual transactions on a daily, weekly and monthly basis.

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, that certain maintenance cases, were initiated more than twenty years ago.

**(c) Management of Unclaimed Monies:**

Due to a previous determination by 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 has now been brought in line with the JAF Act and will only be kept 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 thus since 1 April 2014 been kept separate and as at 31 March 2019, the balance of these monies was R 35, 1 million. As at 31 March 2020, the balance of unclaimed monies is R 61, 6 million, consisting of the following (cumulative, in South African Rand):



**(d) New payment methods:**

The Department is currently in process of investigating and actioning new payment methods due to the current Covid-19 pandemic, to reduce cash handling at courts, correctional facilities and police stations. This includes but is not limited to the introduction of Point-of-Sale (PoS)/Speed Point devices at courts throughout the country.

**4. LEGISLATIVE REFORM:**

The Justice Administered Fund Act, 2017 (Act 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 TPF financial statements, are now reported on in the Vote financial statements of the DoJ&CD (for the 2018/19 financial year and subsequent financial years), while 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 (Justice Administered Fund).

**5. EVENTS AFTER THE REPORTING DATE:**

The MojaPay system crashed on 4 May 2020. The circumstances that led to this event are still under investigation but did lead to certain service delivery challenges.

**6. TARIFF POLICY**

No fees are charged for the services rendered in respect of JAF, specifically 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, using the Reserve Account

## **7. 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:

Policy Development and Coordinating sub-committee

- a. Strategy and Operations sub-committee
- b. Risk Management sub-committee
- c. Audit and Finance sub-committee
- d. Human Resources sub-committee
- e. Corporate Governance sub-committee
- f. Service Delivery and Communications sub-committee
- g. 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.

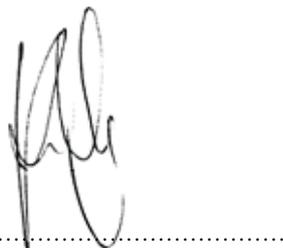
EXCO is accountable for the processes of risk management. The Audit and Risk Management Committees fulfil the role of oversight at different levels. EXCO takes the initiative to ensure that all its members are leading and directing the operations and service delivery initiatives in a manner that is consistent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

All the 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 Whistle Blowing Policy.

## **8. APPROVAL**

The Annual Financial Statements on page 18 to 29 have been approved by the Accounting Officer.



**MS K PILLAY**

**ACTING DIRECTOR GENERAL: DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT**

**30 SEPTEMBER 2020**



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

**1. REPORT OF THE AUDIT COMMITTEE**

We are pleased to present our final report for the financial year ended 31 March 2020.

**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 year, three (03) meetings and two (02) special meetings were held as indicated below.

<b>Name of members</b>	<b>Numbers of meetings attended</b>	<b>Numbers of special meetings attended</b>	<b>Status</b>
Mr. Motsamai Karedi (Former Chairperson)	3	1	Retired - 30 September 2019
Mr. Cedric Boltman	3	2	Reappointed -24 February 2020
Ms. Besky Ngunjiri (Chairperson)	3	1	Reappointed - 24 February 2020
Mr. Wilson Ramabulana	3	1	Retired - 30 September 2019
Mr. Andy Sello	3	1	Retired - 30 September 2019
Mr. Freddy Sinthumule	-	-	Appointed - 24 February 2020
Ms. Linda Meyer	-	-	Appointed - 24 February 2020
Mr. Bheki Mkhabela	-	-	Appointed - 24 February 2020
Mr. Andrew Sello	3	1	Retired - 30 September 2019

**1.2 AUDIT COMMITTEE RESPONSIBILITY**

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirement of section 38(1(a) of the public finance management Act, 1999 (Act NO. 1 of 1999) and Treasury Regulations.

The end of term of the Audit Committee collided with the retirement of the Accounting Officer whose office would have been responsible for the recruitment of Audit Committees. As a result, a vacuum occurred for a period of four months from October 2019 to January 2020. The non-compliance was rectified during February 2020.

Furthermore, the Department is currently in the process of recruiting a long-term Audit Committee as the current arrangement ends February 2021.

**1.3 THE EFFECTIVENESS OF INTERNAL CONTROL**

JAF controls have continued to improve during the year under review contributing to the positive audit outcomes. There is however, some control deficiencies still to be addressed particularly, the daily reconciliation of accounts.

The Audit Committee has also noted the improvements on the operational 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 JAF and the Unit has also discharged its responsibilities as per the Internal Audit plan.

### **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 Department 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 Department's compliance with legal and regulatory provisions.

### **1.5 AUDITOR-GENERAL SOUTH AFRICA**

We have also reviewed the Auditor-General South Africa's report and management letter and management's responses to it.

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



**B Ngunjiri**

**Chairperson of the Audit Committee**

**Date: 30 September 2020**



**REPORT OF THE  
AUDITOR-GENERAL  
TO PARLIAMENT  
ON JUSTICE  
ADMINISTERED  
FUND**

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON 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 18 to 29, which comprise the statement of financial position as at 31 March 2020 and 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 2020, and its cash flows for the year then ended in accordance with Standards of General Recognised Accounting Practice (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 sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as 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 codes.
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 Standards of GRAP 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.
7. In preparing the financial statements, the accounting officer is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

### 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.

### **Performance information reporting**

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 Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (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 Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the fund's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
12. I did not identify any 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. The other information does not include the financial statements and the auditor's report.
14. My opinion on the financial statements and findings on 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.
16. The other information I obtained prior to the date of this auditor's report is the accounting officer's report. The audit committee's report is expected to be made available to me after 30 September 2020.
17. If, based on the work performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.
18. When I do receive and read the audit committee report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected, this will not be necessary.

#### **Internal control deficiencies**

19. 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**

**30 September 2020**

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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## STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2020

		<b>2020</b>	<b>2019</b>
		<b>R</b>	<b>R</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Statutory receivables	3	<b>13,552,695</b>	<b>17,785,113</b>
Courts		13,552,695	17,785,113
Other financial assets	7	<b>2,283,895</b>	<b>1,439,939</b>
Cash and cash equivalents	4	<b>514,837,479</b>	<b>476,641,788</b>
<b>TOTAL ASSETS</b>		<b>530,674,069</b>	<b>495,866,840</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	6	530,674,069	495,866,840
		-	
<b>TOTAL LIABILITIES</b>		<b>530,674,069</b>	<b>495,866,840</b>

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

		2020	2019
		R	R
<b>Net cash flow from administration activities</b>			
Receipts from third parties	5	1,237,584,470	1,755,581,102
Payments to third parties	5	(1,233,052,218)	(1,770,594,262)
Net movements in shortages as well as maintenance debtor and RD cheques		7,874,238	13,703,340
Net movement in system reconciliation		-	-
Net movement in consolidated cooperate accounts		(4,195,372)	(20,297,460)
Net interest received and bank charges		2,422,476	(4,497,203)
Net movement in unclaimed bank balance		26,437,967	15,983,623
Other Adjustments		1,124,130	5,037,056
Net (decrease) / increase in cash and cash equivalents		38,195,690	(5,083,803)
Cash and cash equivalents at the beginning of the year		476,641,788	893,008,585
Less: State Attorney and Fines			(411,282,994)
<b>Cash and cash equivalents at the end of the year</b>		<b>514,837,479</b>	<b>476,641,788</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 1. General Information

The primary function of the Justice Administered Fund (JAF) is the administration of the categories of transactions stated below on behalf of beneficiaries and depositors by:

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

The Justice Administrated Fund Act, 2017 (Act 2 of 2017) 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, they are forfeited to the state if the bail conditions have not been met or they are paid over to the National Revenue Fund through the Vote Account of the Department 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 is then paid to beneficiaries/complainants or returned to the obligor if so approved by a court or paid to the National Revenue Fund through the Vote Account if the monies remain unclaimed for a period of longer than ten years.

**Payments into Court:** Money paid into court in terms of any Rule of Court or any other subordinate legislation. Unclaimed payments are paid over to the National Revenue Fund through the Vote Account when the monies remain unclaimed for a period longer than ten years after it has been authorised to be paid to either the depositor or a court identified beneficiary.

**Unclassified Monies:** Money received that cannot immediately be allocated into one of the above categories due to the lack of supporting documentation or originates from an unknown source. If the origin of these monies cannot be traced and allocated or refunded to the depositor, the monies are deposited to the National Revenue Fund through the Vote Account after six months.

## 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 paragraph 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 years, 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:

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 2020, the following standards had been issued but were not yet effective:

Standard	Effective Date	Expected impact
GRAP 20 – Related Party Disclosures	1 April 2020	Minimal – certain additional disclosures may be required
GRAP 104 – Financial Instructions	No date determined yet	No impact

### 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, then it is 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 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 are held with reputable banking institutions in the name of the Department of Justice and Constitutional Development and the Justice Administered Fund. Cash equivalents include cash received on behalf of JAF, which is still in transit. The balance of cash and cash equivalents accrues to third parties. Refer to the 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 DOJCD 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 obligors are returned "Refer to Drawer" by the financial institutions only after a payment had already been made to a JAF beneficiary in the interest of service delivery. Following an internal investigation, the Department of Justice and Constitutional Development may write-off the amount when irrecoverable.

**2.3.3.2 Maintenance debtors**

Maintenance debtors are raised when maintenance payments are made to incorrect maintenance beneficiaries due to incorrectly referenced payments received. Following an internal investigation, the Department of Justice and Constitutional Development may write-off the amount when irrecoverable.

**2.3.3.3 Shortage debtors**

Monies collected over the counter are deposited at a financial institution regularly. 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 if irrecoverable.

**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 and/or depositors. 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, or
- 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 legacy reporting/accounting system, the Justice Deposit Account System (JDAS), which resulted in system errors and other invalid balances arising. Furthermore, much reporting data incorporates balances onto JDAS from the previous manual legacy systems, which were implemented many years ago and were inappropriate.

These items were removed from the relevant financial statement components and grouped into the ring-fenced balance. The remaining balances are still under investigation and in process of being cleared.

Balances transferred from ring-fenced assets and liabilities are off-set. 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 has been 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 JAF 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 related if one party can control the other party or 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 2020

### 3. STATUTORY RECEIVABLES

	2020 R	2019 R
<b>Courts</b>		
Dishonoured cheques	396,275	528,312
Maintenance debtors	1,063,586	1,312,739
Shortage debtors	9,564,609	14,501,255
State institutions and other receivables	22,930	278,131
Vote: Receivable from the Department of Justice and Constitutional Development	2,505,295	1,164,676
<b>Total Statutory Receivables</b>	<b>13,552,695</b>	<b>17,785,113</b>

	Counter shortages	Maintenance overpayments	Dishonoured cheques	State Institutions	VOTE: Receivable from DoJ&CD	TOTAL
<b>0 to 6 months</b>	458,284	73,723	201,000	5,500	2,600	741,107
<b>7 to 12 months</b>	101,647	51,004	-	3,700	-	156,351
<b>13 to 24 months</b>	732,000	69,531	-	3,400	10,500	815,431
<b>25 to 36 months</b>	1,646,810	88,051	134,920	1,500	20,900	1,892,181
<b>37 to 60 months</b>	3,990,333	107,443	3,300	2,800	47,750	4,151,626
<b>61 months plus</b>	2,635,535	673,834	57,055	6,030	2,423,545	5,795,999
<b>Total Amount</b>	<b>9,564,609</b>	<b>1,063,586</b>	<b>396,275</b>	<b>22,930</b>	<b>2,505,295</b>	<b>13,552,695</b>

<b>4. CASH AND CASH EQUIVALENTS</b>	<b>2020</b>	<b>2019</b>
	<b>R</b>	<b>R</b>
Consolidated Corporate Account Balance	514,837,479	476,641,788
Balance as at 31 March	<b>514,837,479</b>	<b>476,641,788</b>
<b>5. CLASSES OF RECEIPTS AND PAYMENTS</b>		
<b>Cash receipts from JAF transactions</b>		
- DoJ&CD Courts	1,237,584,470	1,755,581,102
	<b>1,237,584,470</b>	<b>1,755,581,102</b>
<b>Cash payments from JAF transactions</b>		
- DOJ&CD Courts	<b>(1,233,052,218)</b>	<b>(1,770,594,262)</b>
	<b>(1,233,052,218)</b>	<b>(1,770,594,262)</b>
<b>6. PAYABLES - JAF</b>		
<b>Vote: Payable Corporate Account</b>	275,951	2,048,848
<b>Courts</b>		
Bail	402,471,134	363,981,533
Maintenance	96,360,461	76,888,970
Unclassified monies	21,968,212	39,797,907
Payments into court	9,574,261	12,891,687
Vote payable	24,050	257,895
	<b>530,674,069</b>	<b>495,866,840</b>

**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 legacy system (JDAS).

The various limitations placed on reporting data are inter alia due to the shortcomings of the administrative legacy systems 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 office level and have been aged. The balances were investigated and cleared through obtaining supporting documentation, fixing of data errors and pay overs of funds to the National Revenue Fund through the Vote Account as prescribed over the medium term (the next 2 years). These activities and clearing of historical balances were and in some still are in preparation of the deployment of MojaPay.

	<b>As disclosed in 2018/2019</b>	<b>As disclosed in 2019/20</b>	<b>Movement</b>	<b>Nature of movement</b>
<b>Receivables</b>	<b>2,147,293</b>	<b>1,507,761</b>	<b>(639,532)</b>	
Courts	<b>2,147,293</b>	<b>1,507,761</b>	<b>(639,532)</b>	Clearing of invalid shortages, write-offs by delegated authorities and recovery of overpayments & debtors.
<b>Cash and cash equivalents</b>	<b>12,563,565</b>	<b>7,043,032</b>	<b>(5,520,533)</b>	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.
<b>Payables</b>	<b>(13,270,919)</b>	<b>(6,266,898)</b>	<b>(7,004,021)</b>	
Courts	(13,270,919)	(6,266,898)	(7,004,021)	Pay overs to beneficiary institutions (including NRF), identified beneficiaries/ depositors and clearing of beneficiary listings.
<b>Other financial Assets</b>	<b>1,439,939</b>	<b>2,283,895</b>	<b>(843,956)</b>	

## 8. INTEREST RECEIVED AND BANK CHARGES

	<b>2020</b>	<b>2019</b>
	<b>R</b>	<b>R</b>
Bank charges	(38,172,349)	(34,366,881)
Interest received	40,594,825	29,869,678
	<b>2,422,476</b>	<b>(4,497,203)</b>

## 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 based on 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's 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.

	2020	2019
	R	R
<b>Total administration costs (salaries) disclosed as:</b>	<b>4,771,959</b>	<b>4,553,356</b>
Office of the CFO	4,771,959	4,553,356
<b>Key personnel costs disclosed as:</b>	<b>4,771,959</b>	<b>4,553,356</b>
Level 15 - Chief Financial Officer (1)	1,765,801	1,697,475
Level 14 - Chief Director (1)	1,661,631	1,566,117
Level 13 - Directors (1)	1,344,527	1,289,764

## 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, through the DOJCD, only banks with reputable banking institutions and is limited to bank with these banks by National Treasury.

These institutions are:

- ABSA
- Nedbank
- Standard Bank
- First National Bank

### 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 bank balances of the Fund 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 beneficiaries and depositors. Interest rates and bank charges are fixed as per an agreement between National Treasury and these banks.

### 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 JAF Act, JAF Financial Instructions, JAF Financial Directives, Standard Operating Procedures and training interventions.

### 13. Effect of legislation change

The Justice Administered Fund Act, 2017 (Act 2 of 2017) was assented to on 6 April 2017 and implemented on 1 April 2018. The effect of the Act was 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 Funds) financial statements, is solely reported on in the Vote financial statements of the DOJCD, while monies received and paid in respect of maintenance, bail and payments into court, are reported on in the financial statements in respect of the JAF (Justice Administered Fund).



MS K PILLAY

**ACTING DIRECTOR GENERAL: DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT**  
**30 SEPTEMBER 2020**



RP400/20  
ISBN: 978-0-621-48937-8

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