



THIRD PARTY FUNDS ANNUAL REPORT

2010/11 - 2012/13



DEPARTMENT OF JUSTICE AND
CONSTITUTIONAL DEVELOPMENT



the doj & cd

Department:
Justice and Constitutional Development
REPUBLIC OF SOUTH AFRICA



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1. REPORT OF THE ACCOUNTING OFFICER

REPORT OF THE ACCOUNTING OFFICER TO THE EXECUTIVE AUTHORITY AND PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA ON THE ANNUAL FINANCIAL STATEMENTS FOR THIRD PARTY FUNDS FOR THE FINANCIAL YEARS ENDED 31 MARCH 2011, 31 MARCH 2012 AND 31 MARCH 2013.

1. GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

1.1 BACKGROUND

The Department of Justice and Constitutional Development (Department) administers funds on behalf of third parties. The purpose of Third Party Funds (TPF) is to manage maintenance beneficiary monies (local and foreign), collect fines on behalf of government institutions (national, provincial, local and other authorities), the safe-keeping of bail monies on behalf of accused persons, the safe-keeping of payments into court, the collection of debts on behalf of government institutions through the State Attorney, as well as monies related to conveyancing matters which the State Attorney deals with on behalf of government institutions.

In 2010, in response to the significant risks identified by various oversight authorities relating to the administration of Third Party Funds, the Department initiated a Transformation Plan for TPF.

The significant growth in volume and value of transactions (approximately 9, 5 million transactions to the value of R 3 billion are processed through TPF on an annual basis), as well as the distribution of service points (501 bank accounts with the four clearing banks), rendered the existing technology, accounting and operational processes as well as the skills based at regional and national level inadequate to effectively manage and account for TPF. The Justice Deposit Account System (JDAS) and the

State Attorney System (SAS), utilised for the administration of TPF, were designed as case administration systems with payments and receipts recording functionality, but not financial accounting systems having the prescribed accounting and financial reporting capabilities. The Basic Accounting System (BAS) currently utilised in government for recording of transactions for accounting purposes is also inadequate to directly deal with the sheer volume and administrative requirements thereof. Therefore transactions are recorded at court level on JDAS and SAS and then bulk payments are made to the Department's (Vote) Account to be recorded on BAS as departmental revenue when relevant.

This inadequacy of systems to cope with the management of Third Party Funds had the following significant impact:

- a. Non-reporting and incomplete reporting on management of resources of the most vulnerable groups in our communities, i.e. mostly people with no bank accounts who prefer cash pay-outs at courts on a monthly basis,
- b. Audit qualification of the vote as a result of revenue due to National Revenue fund (NRF),
- c. Poor service delivery: extended timelines for effecting payment from day of receipt; and
- d. Recorded losses including overpayments and dishonoured cheques (estimated at R67 million)

In the context of the challenges above the Department needed to reconsider operational procedures, address the

internal control weaknesses; improve the reliability of recorded administrative and financial data, resourcing options for the management of TPF as well as stabilising staff performing duties on TPF.

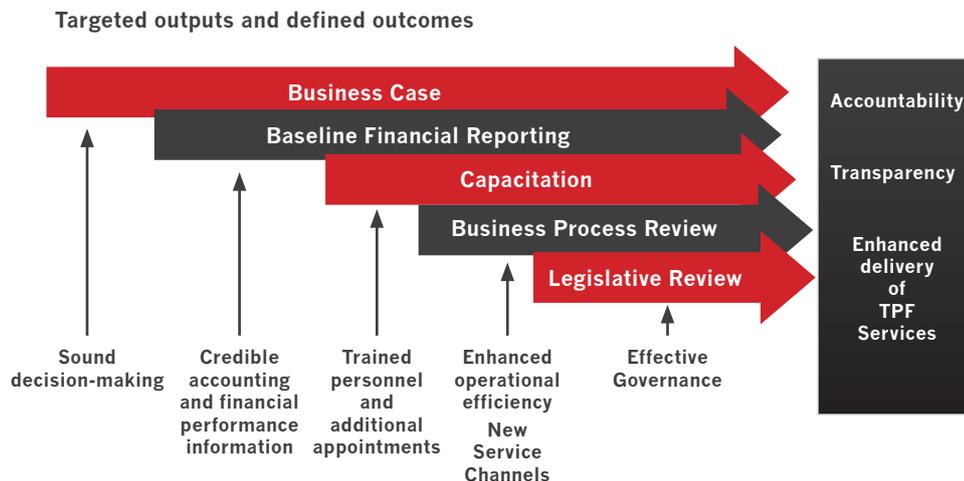
The guiding principles over the medium term for the TPF Transformation Plan were:

- a. Utilising public sector resources (personnel, systems and processes) in the management and operation of Third Party Funds,
- b. Ensuring value for money appropriated by Parliament for executing the function,
- c. Subscribing to departmental strategic objectives for enhanced access to justice services and improved quality of service,
- d. Partnership with the banking sector, public entities and private sector with
- e. proven capacity in cash management and cash transfer,
- e. Compliance with legislative prescripts in relation to the management, control and reporting on Third Party Funds,
- f. Subscription to Batho Pele Principles in relation to service execution to beneficiaries,
- g. Effective communication to beneficiaries on the detail of the frequency and quality of service,
- h. Encouraging direct payments between beneficiaries and defendants (obligors) through the banking system, and
- i. Encouraging departments, agencies and local authorities to start taking responsibility for their own revenue previously held by courts.

The Transformation Plan for TPF addressed the reengineering of the business model relating to Policy, Process, Technology, People and Data as pictured below:



The following figure depicts the targeted programme and activity outputs and outcomes for TPF:



1.2 THE BUSINESS CASE FOR THE EFFECTIVE FUTURE MANAGEMENT OF TPF

The Department concluded a comprehensive business case and options analysis for the future management of TPF.

The following options were considered in the business case

- Option 1: Maintain *Status-quo*
- Option 2: Outsource function through a Public Private Partnership
- Option 3: Enhanced Public Sector Managed TPF

Based on the analysis and assessment in the business case the Department opted for option 3, i.e. Enhanced Public Sector Managed TPF. The decision was primarily based on the financial cost in the context of the economic climate, affordability of an outsourced arrangement through a Public Private Partnership (PPP) and the substantial labour relations implications with estimated staff redundancy and possible consequent lay-offs. The selected option entailed substantial investment in staff training, reviewing and enhancing of business process's, procurement of limited personnel capacity and legislative reforms to ensure an appropriate governance framework for TPF.

This entailed making a major strategic choice for the Department to terminate the PPP which had been planned for approximately six years. The PPP entailed outsourcing of the function of TPF in so far as it relates to new business; however the historical business which was caused by non-compliance would still have had to be resolved by the Department. Whilst this option would have yielded results in the short-term cash management, the historical audit challenges and lack of institutional capacity still needed to be addressed and therefore the Department opted to terminate the PPP and to build organisational capacity to manage TPF.

1.3 BASELINE FINANCIAL REPORTING OF TPF

As previously stated, the nature and volume of transactions as well as the distribution of service poses a challenge for the

Department given the required level of sophistication of systems.

As a result of continuous negative impact on the Department's (Vote) Account and the inability to produce credible financial statements utilising the administrative systems, the Department made a decision to employ a service provider to produce financial statements for the 2010/11 financial year with comparative figures for the 2009/10 financial year and not to submit any financial statements for 2008/09 as this would not have been time and cost effective. Financial statements until 2007/08 were audited and disclaimed by the Auditor-General. The basis for this intervention was to conclude and submit technically sound baseline financial statements that were constructed based on technical guidance from National Treasury and the Accounting Standards Board.

These annual financial statements attracted a disclaimer of opinion from the Auditor-General due to the challenge to work with historical financial years, the problem of opening balances, incorporation of various administrations from the former TBVC states and self-governing territories, historical issues within the TPF environment and the reasons as alluded to in the report produced by the Auditor-General.

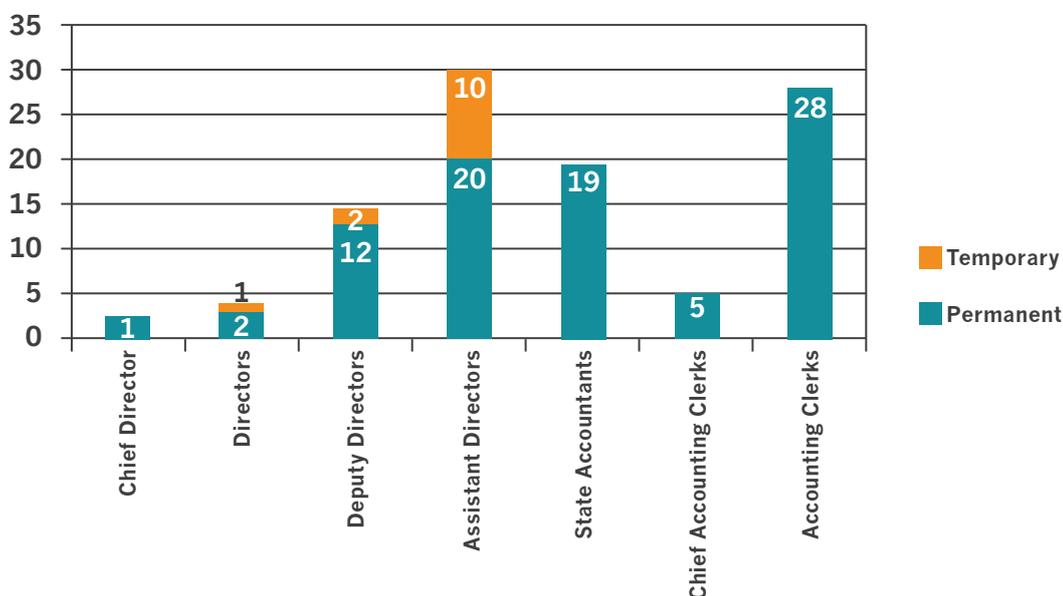
The Department, with its own capacity, concluded and submitted the 2011/12 financial statements for audit in November 2012. The 2012/13 financial statements were submitted on 20 June 2013. In consultation with National Treasury, the Accounting Standard Board and guidance from the Auditor-General, a Financial Reporting Framework was accepted and implemented and will be the basis for future financial reporting.

Despite the negative audit outcomes, the submission of these financial statements heralded in a new era in TPF management. For the first time, the Department was able to determine the extent of financial shortages, improvements required in areas of financial administration, the inherent management and control weaknesses within the TPF environment and Department subsequently developed the necessary action plans to address these shortcomings.

1.4 CAPACITATION

A major area of intervention in the TPF environment was the expansion of capacity and the increase of financial skills and competency. The activities that formed the basis for the capacitation intervention related to the creation of posts and the provision of training and the implementation of quality assurance processes:

- a. **Establishment of reference and advisory capacity.** Technical guidance by subject matter experts on the appropriate financial management and accounting treatment for TPF was sought. This included National Treasury, the Accountant-General and the Accounting Standards Board.
- b. **A comprehensive skills assessment.** The assessment data enabled the department to identify training needs and guided the development of training material and training and skills development interventions. 159 officials, including Area Court Managers and Financial Operations Managers were assessed.
- c. **Development of comprehensive TPF training manuals and flowcharts of processes.** These were distributed to every court that is a service point for TPF to be a reference point for staff responsible for TPF and especially newly appointed staff.
- d. **Implementation of a training programme for court staff dealing with TPF, Area Court Managers, Court Managers, Financial Operations Managers and Regional TPF staff.**
 - e. **Funding was secured for 45 finance practitioners at middle management and technical levels for additional dedicated financially qualified personnel in Regional TPF units.** The posts were filled on completion and approval of work-study and job evaluation processes.
 - f. **Specialist quality assurance financial capacity was secured.** Two (2) database administrators and eight (8) quality assurance and technical personnel were appointed on six months contracts to assist with quality assurance of the output of the accounting process between 2010 and 2012. None of these contract appointees were retained. Their duties are being absorbed by the Regional TPF units as well as a contract Director, a contract Deputy Director and two contract Assistant Directors at National Office.
 - g. The total staff complement of officials focusing solely on TPF at both regional and national level (both on contract and permanent), as at 31 July 2013, are indicated below:



1.5 BUSINESS PROCESS REVIEW

As part of business process improvement and enhancing service delivery with enhanced performance measuring capability, the Department:

- a. Reviewed policy and procedures;
- b. Standardised and mapped processes including audit trails, daily reconciliations and operational performance indicators ensuring adequate segregation of duty; and
- c. Introduced a decentralised EFT payment system in courts with reduced cycle times. A number of pilot projects were initiated from August 2010 to July 2011 (Worcester, Roodepoort, Upington, Umlazi, Pietermaritzburg, Bela-Bela and Moretele to name but a few). A 3-tier release of beneficiaries and payments ensured enhanced security and control and reduced risk of fraud and theft.

The narrative TPF financial instructions was simplified into flow charts booklets

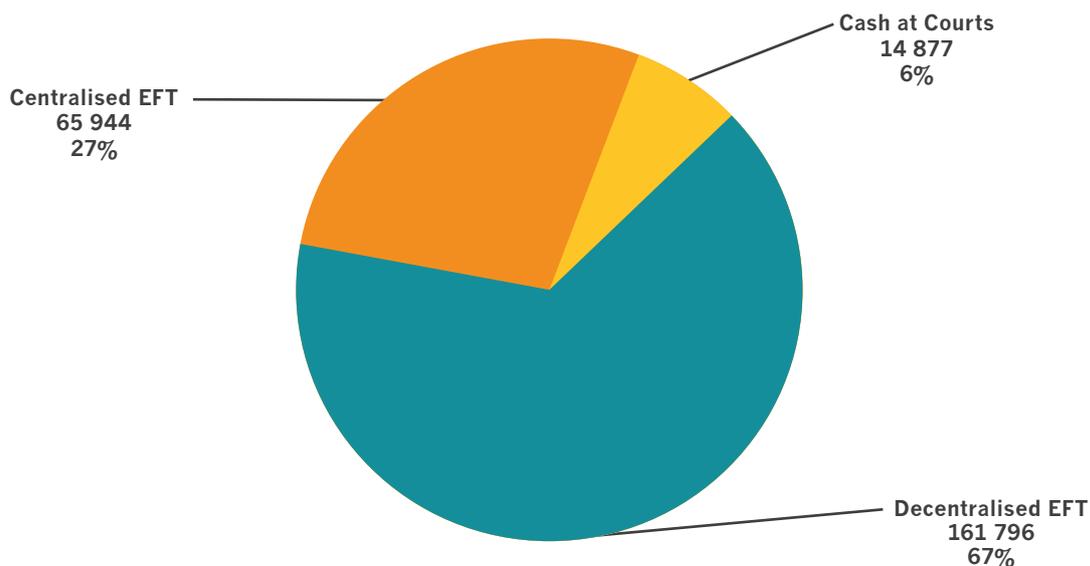
and posters and each court now has in its possession such a poster and 2 booklets to support court staff in efficiently and effectively fulfilling their functions relating to TPF transactions.

The decentralised EFT payment system resulted in the reduction of the payment cycle from 10 days to within 24 and 48 hours after the beneficiary has been identified. The immediate benefits were reduction in turnaround times, savings on printing and faxing costs, transactions costs, the costs of daily collection of bank statements at courts and the improvement of direct control over activities by Court Managers.

As at 31 March 2013, three hundred and eighteen (318) courts were making maintenance EFT payments locally on the decentralised system. The Department hopes to have all courts with TPF bank accounts on the decentralised EFT payment system by the close of the 2014/15 financial year.

The graph below indicates the relationship of centralised EFT payments versus localised EFT payments and cash payments made in respect of maintenance for March 2013:

Maintenance payments: March 2013



Some reasons for maintenance beneficiaries still wanting cash as a means of payment are lack of access and the mistrust of these beneficiaries in banking systems, high withdrawal costs, and the convenient location of courts versus bank locations.

1.6 LEGISLATIVE REVIEW

The Department is considering, in consultation with all relevant stakeholders, possible new legislation and amendments to existing legislation to enhance the governance of TPF relating to the following:

- a. Direct beneficiary payments (Maintenance Act). Currently, legislation does not exist to force employers who deduct maintenance monies from their employees to provide TPF with correctly referenced payment schedules. This creates an administrative challenge for TPF in allocating the monies to the correct beneficiaries, resulting in delays in the payment of these monies to the beneficiaries. The Department is considering amendments to the Maintenance Act, 1998 to enforce this practise on employers and/or including this in the Regulations that will be issued in terms of the Justice Administrated Fund Act (JAF), when enacted.
- b. Payment of schedule 3 admission of guilt fines (notices only) directly to Local Authorities (Criminal Procedure Act). The collection of these fines places a massive administrative challenge on the Department, its systems and its staff.
- c. Electronic refund of bail monies (Criminal Procedure Act). The Criminal Procedure Act is currently also silent on the manner in which bail payments are received and paid to accused persons and this limits collections and payments to be on a cash basis.
- d. Administration of Third Party Funds. The Department already formulated a draft Justice Administrated Fund (JAF) Bill that is currently being put through

the governance processes for approval before being submitted to Cabinet and thereafter Parliament.

In this regard the department initiated discussions with South African Local Government Association (SALGA), the Magistrates Commission, the Office of the Chief State Law Advisor and National Treasury.

2. IMPORTANT POLICY DECISIONS AND STRATEGIC ISSUES FACING THIRD PARTY FUNDS:

Other than the legislative review processes mentioned above the following strategic decisions are currently being considered:

- a. Reduction in the number of bank accounts utilised to administer TPF and centralising certain accounting functions.
- b. Purchasing an off-the-shelf accounting package. This will effectively entail customising an existing accounting package to suit the financial administration and reporting requirements of TPF.
- c. Ring-fencing and writing-off of historical shortages and losses. When the new accounting package is introduced, the Department will ensure that only validated financial information is recorded and transferred into the new system. Financial information in JDAS 4 and SAS will be ring-fenced, investigated, cleared and write-offs done in collaboration with National Treasury.
- d. Promote direct maintenance payments. 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.

3. SERVICE DELIVERY AND OPERATIONAL ACHIEVEMENTS IN THE TPF ENVIRONMENT

3.1 FINANCIAL REPORTING FRAMEWORK

The Department has now cleared and finalised the financial reporting framework for TPF in consultation with the Accountant-General and future financial statements will now be submitted consistent with this framework.

3.2 EXPANDING THE THIRD PARTY FUNDS TRAINING AND CAPACITY BUILDING PROGRAMME

In 2012/13 one hundred and twenty (120) officials in regions were trained on financial year-end reconciliations whilst a further 400 officials were trained on TPF administration at court operations level. Forty five (45) additional posts were approved to enhance the oversight and control. Following the success of the training to Senior and Middle Operational and Accounting Management staff members during 2011/12, this training methodology has now also been rolled-out to all Court Managers and supervisory staff at court level in all regions.

3.3 IMPROVEMENT OF THE FINANCIAL CONTROL ENVIRONMENT IN TPF

The Department has established Regional TPF committees that *inter alia* monitor and manage the recovery of TPF receivables. These committees report to a National Committee on progress on these matters, and where applicable, regional committees recommend write-off of receivables, but only after all the necessary internal processes, investigations, disciplinary action, criminal procedures and civil recovery processes, have been exhausted.

3.4 THE STRATEGIC MANAGEMENT AND RISK MITIGATION IN TPF

The strengthening of controls, and education on anti-fraud interventions, risk management strategies, collaboration with forensic investigations and special projects with South African Police Services (SAPS) has enabled the department to

reduce fraud and corruption in the TPF environment. The procurement of the new financial administration and accounting system will be the last major intervention to improve financial control and potential for theft of TPF collections. With the implementation and expansion of the EFT system cash handling is reduced at court level and thus reduced opportunity for fraud and corruption.

Enhancing managerial and supervisory accountability and responsibility have assisted in reducing fraud and corruption as TPF is now a specific reporting item for which, if managed poorly, action is taken against anyone who is found to have been negligent or derelict.

4. SERVICES RENDERED BY THIRD PARTY FUNDS

TARIFF POLICY

No fees are charged for the services rendered on Third Party Funds, in particular for the maintenance paid to the most vulnerable in society.

However a 10% commission (to a maximum of R 300 per collection) is levied in respect of debt collected by the State Attorney on behalf of government departments. The commission is paid over to the National Revenue Fund. This commission is collected in terms of section 65J of the Magistrates' Court Act (Act 32 of 1944), as amended.

In addition, TPF utilises all interest earned in respect of amounts kept in its bank accounts, to off-set bank charges.

5. 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 Constitutional Development. Corporate governance is placed as one of the significant responsibilities of EXCO in line with King III principles. To enable the Accounting Officer and EXCO to discharge their responsibilities and duties certain responsibilities have been delegated to the following sub-committees:

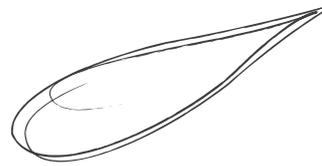
- a. Policy Development and Coordinating sub-committee
- b. Strategy and Operations sub-committee
- c. Anti-Fraud and Risk Management sub-committee
- d. Audit and Finance sub-committee
- e. Human Resources sub-committee
- f. Corporate Governance sub-committee
- g. Service Delivery and Communications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

6. APPROVAL

The Annual Financial Statements set out on pages 26 to 49 have been approved by the Accounting Officer.



.....
 Ms N Sindane
 Director-General: Department of Justice
 and Constitutional Development
 Date: 20 August 2013

2. REPORT OF THE AUDIT COMMITTEE

1. REPORT OF THE AUDIT COMMITTEE OF THE DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT.

We are pleased to present our report for the financial year ended 31 March 2013. This report also includes consideration of the audit reports for the 2010/11 and 2011/12 financial years. All of these were considered before the date of this report.

1.1 AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee consisted of the members listed below and is required to meet at least four times per annum as per its approved terms of reference. During the current year 6 meetings were held and one member retired as indicated below.

NAME OF MEMBERS NUMBERS OF MEETINGS ATTENDED STATUS:

| | | | |
|-----------------------------------|---|-------------|------------------|
| Mr. Motsamai Karedi (Chairperson) | 5 | Reappointed | 09 January 2013 |
| Mr. Cedric Boltman | 6 | Reappointed | 09 January 2013 |
| Ms. Bajabulile Luthuli | 5 | Retired | 15 December 2012 |
| Ms. Besky Ngunjiri | 5 | Appointed | 28 February 2012 |
| Ms. Keneilwe Moloko | 3 | Appointed | 28 February 2012 |
| Mr. Wilson Ramabulana | 5 | Reappointed | 09 January 2013 |
| Ms. Livhuwani Vuma | 6 | Appointed | 28 February 2012 |
| Mr Andy Sello | 1 | Appointed | 09 January 2013 |

1.2 AUDIT COMMITTEE RESPONSIBILITY

We report that we have adopted appropriate formal terms of reference in our charter.

1.3 THE EFFECTIVENESS OF INTERNAL CONTROL

The Audit Committee is satisfied that key controls remained in place throughout the year under review and where shortcomings were identified in the internal controls, management has been addressing them through the implementation of audit action plans. Internal Audit validated the progress on the implementation of audit action plans and the Audit Committee has also monitored the implementation of the audit action plans throughout the year under review.

1.4 INTERNAL AUDIT

The Internal Audit unit has discharged its responsibilities as per the internal audit plan.

1.5 AUDITOR-GENERAL SOUTH AFRICA

We have also noted the Auditor-General South Africa's audit and management reports and accept the outcomes of the audit. The Audit Committee is also pleased to have witnessed the interventions and improvements which the Accounting Officer and her team have effected in order to achieve the desired improvement in the TPF environment. We have continued to urge the Department to ensure that recommended improvements as contained in the management report are effected to ensure the desired outcomes are achieved in future.

1.6 REPORTS

1.6.1 The quality of in-year management and monthly/quarterly reports

These have not been forthcoming due to historic challenges however we are satisfied with the proposed interventions and commitments by the Accounting Officer of the Department to ensure monthly and quarterly reports are prepared. We will monitor progress in this regard.

1.6.2 Evaluation of financial statements

The disclaimed audit opinions of the Auditor-General are essentially linked to historical shortcomings in the financial administration systems and internal control processes, the incorporation of various homeland administrations and concurrent challenges with opening and closing balances as fully reported on in the Accounting Officer's Report. The Department is seeking a solution for the treatment and disclosure of the opening balance challenge with various stakeholders including the National Treasury.

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

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



.....
M Karedi

Chairperson of the Audit Committee

Date: 20 August 2013

3. AUDITOR-GENERAL'S REPORTS TO PARLIAMENT

3.1. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THIRD PARTY FUNDS

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Third Party Funds, which comprise the statement of financial position as at 31 March 2011, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 27 to 33.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the *General Notice* issued in terms of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004), 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.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate

audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Opening balances

4. The accounting officer did not submit financial statements for the year ended 31 March 2009. No audit was conducted on the year-end balances for the year then ended. I was unable to perform the required audit procedures to satisfy myself as to the completeness, existence, valuation and allocation of, and rights and obligations pertaining to the opening balances for the year ended 31 March 2010.

Receivables

5. Included under receivables, as disclosed in note 3 to the financial statements, is shortages debtor of R63 405 253 (2010: R63 703 027) for which the investigations are not followed up and completed in a timely manner to ensure that debtors are either recovered or written off. The Fund could not provide sufficient appropriate audit evidence to support the balance disclosed in the financial statements. The Fund's records did not permit the application of satisfactory alternative procedures to obtain reasonable assurance that all transactions were properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, valuation and allocation of, and rights pertaining to the shortages debtor and I was also unable to determine whether any adjustments to the current and corresponding figures were necessary.

Third Party Fund Payables

6. The Fund could not provide sufficient appropriate audit evidence to support the amount of R37 220 743 (2010: R44 537 523) in the accrued third party funds balance disclosed in note 5 and explained in note 5.1 to the financial statements. The Fund's records did not permit the application of satisfactory alternative procedures to obtain reasonable assurance that all transactions were properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of, and obligations pertaining to the accrued third party funds balance and I was also unable to determine whether any adjustments to the current and corresponding figures were necessary.
7. The Fund could not provide sufficient appropriate audit evidence to support the third party funds payable balances relating to state attorneys for the following accounts included under note 5 to the financial statements:
 - South African Revenue Service
R184 616 (2010: R390 857)
 - State organisations
R29 292 013 (2010: R23 702 822)
 - Unclassified monies
R14 602 805 (2010: R153 332)

The Fund's records did not permit the application of satisfactory alternative audit procedures to obtain reasonable assurance that the information included in the note was properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of, and obligations pertaining to these balances and I was also unable to determine whether any adjustments to the current and corresponding figures were necessary.

Cash and cash equivalents and related receivables and payables

8. The cash and cash equivalents balance of R618 322 368 (2010: R659 380 913) disclosed in note 4 to

the financial statements resulted from an accumulation of classes of receipts and payments and other movements as disclosed in note 4 to the financial statements. The Fund could not always provide sufficient appropriate audit evidence to support individual cash receipts and cash payments, as well as the related receivables and payables. Furthermore, discrepancies were also identified regarding the classification of receipts and payments. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, occurrence, accuracy and classification for these items, as disclosed in note 4 to the financial statements, being cash receipts from third party transactions amounting to R2 850 254 680 (2010: R2 820 102 140) and cash payments to third party transactions amounting to R2 879 747 626 (2010: R2 768 673 533). As a result I was also unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of, and rights and obligations pertaining to the related receivables and payables, as disclosed in notes 3 and 5 to the financial statements. Consequently, I was also unable to determine whether any adjustments to current and corresponding figures were necessary.

Financial statement disclosures

9. The *General Notice* issued in terms of the PAA states that the financial statements of an entity which is not subject to the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) must be prepared in accordance with the SA Standards of GRAP reporting framework issued by the Accounting Standards Board (ASB). A directive was issued by the ASB with respect to the formulation of accounting policies and disclosure requirements where SA Standards of GRAP have been issued but are not yet effective and the fund has decided not to early adopt such standards. With respect to the disclosure of financial instruments therefore, the requirements of the International Financial Reporting Standards (IFRS) would be applicable.

10. International Financial Reporting Standard 7 (IFRS 7) (AC 144) requires an entity to disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed, at the end of the reporting period. The typical risks arising from financial instruments are credit risk, liquidity risk and market risk. None of the disclosure requirements as per IFRS 7 (AC 144) were complied with.

Disclaimer of opinion

11. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

13. I was unable to conduct the audit of performance against predetermined objectives as the fund is not required to prepare a report on its performance against predetermined objectives. The fund does not fall within the ambit of the PFMA and there is no entity-specific legislation that requires the reporting on performance against predetermined objectives.

Compliance with laws and regulations

14. I performed procedures to obtain evidence that the Fund has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific

matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

Internal control

15. I considered internal control relevant to my audit of the financial statements and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion and the findings on the compliance with laws and regulations included in this report.

Leadership

16. The leadership did not adequately exercise oversight responsibility regarding financial reporting and timely preparation and submission of financial statements for auditing. The information systems in place were inadequate to ensure reliable financial reporting in order to assist management to adequately manage the financial operations of the fund.
17. Human resource management was ineffective in ensuring that sufficiently skilled resources were in place to perform the necessary tasks with respect to data capturing, accurate and timely reconciliations and proper record keeping applicable to financial reporting.

Financial management

18. Management did not adequately implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.
19. Management did not implement controls over daily and monthly processing and reconciling of transactions.
20. Management did not prepare regular, accurate and complete financial reports that were supported and evidenced by reliable information.

Governance

21. The leadership did not implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud prevention, were conducted and that a risk strategy, to address the risks, was developed and monitored.
22. The internal audit unit was not effective in assisting management in identifying internal control deficiencies and developing recommendations in respect of corrective actions to be taken to address the internal control deficiencies identified.

Investigations

23. Various investigations are in progress and are at different stages of the process to probe cash shortages within the environment of the courts where cash is received and paid out. Such shortages identified by management are disclosed in note 3 to the financial statements.



Date: 3 September 2012



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

3.2. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THIRD PARTY FUNDS

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Third Party Funds, which comprise the statement of financial position as at 31 March 2012, the statement of cash flows for the year then ended, and the notes comprising a summary of significant accounting policies and other explanatory information, as set out on pages 35 to 41.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the *General Notice* issued in terms of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004), 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.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Opening balances

4. During 2011 I was unable to obtain sufficient appropriate evidence about opening balances disclosed in the

statement of financial position. I was unable to confirm the opening balances by alternative means. Consequently, I was unable to determine whether any adjustments to the opening balances in the statement of financial position for the year ended 31 March 2011 was necessary. My audit opinion on the financial statements for the period ended 31 March 2011 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Receivables

5. Included under receivables as disclosed in note 3 of the financial statements, are shortages debtors. Investigations are not followed up and completed in a timely manner to ensure that debtors are either recovered or written off. I was unable to obtain sufficient appropriate audit evidence regarding the shortages debtors and I was also unable to confirm the shortages debtors by alternative means. Consequently, I was unable to determine whether any adjustments to the current and corresponding figures stated at R63 008 178 (2011: R63 405 253) in the financial statements were necessary.

Third party fund payables

6. Included under third party fund payables as disclosed in note 5 of the financial statements, is the accrued third party funds balance which is further explained in note 5.1 to the financial statements. I was unable to obtain sufficient appropriate audit evidence to satisfy myself regarding the accrued third party funds balance due to the status of the accounting records. I was also unable to confirm the accrued third party funds balance by alternative means. Consequently, I was unable to determine whether any adjustments to

the current and corresponding figures stated at R18 937 856 (2011: R37 220 742) in the financial statements were necessary.

7. I was unable to obtain sufficient appropriate audit evidence to support the third party fund payables balances relating specifically to state attorneys as the Fund did not have adequate systems in place to maintain records of accounts payable, for the accounts listed below. I was also unable to confirm the balances by alternative means. Consequently, I was unable to determine whether any adjustments to the current and corresponding figures for the following accounts included under note 5 to the financial statements were necessary:

- South African Revenue Service
R168 442 (2011: R184 617)
- State organisations
R63 126 114 (2011: R29 292 014)
- Unclassified monies
R44 863 281 (2011: R14 602 804)

Cash and cash equivalents and related receivables and payables

8. The cash and cash equivalents balance of R629 844 693 (2011: R618 322 368) disclosed in note 4 to the financial statements resulted from an accumulation of classes of receipts and payments and other movements as disclosed in note 4 to the financial statements. Due to the status of the accounting records as well as inadequate systems in place, I was unable to obtain sufficient appropriate audit evidence to support individual cash receipts and cash payments, as well as the related receivables and payables. Furthermore, discrepancies were also identified regarding the classification of receipts and payments. I was unable to confirm the cash and cash equivalents movements and related receivables and payables balances by alternative means. Consequently, I was unable to determine whether any adjustments to the items as disclosed in note 4 of the financial statements being cash receipts from third party transactions amounting to R2 887 622 012 (2011: R2 850 254 680) and cash payments

to third party transactions amounting to R2 850 765 645 (2011: R2 879 747 628) were necessary. As a result I was also unable to determine whether any adjustments to the related receivables and payables as disclosed in notes 3 and 5 to the financial statements were necessary.

Financial statement disclosures

9. The *General Notice* issued in terms of the PAA states that the financial statements of an entity which is not subject to the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA) must be prepared in accordance with the SA Standards of GRAP financial reporting framework issued by the Accounting Standards Board (ASB). A directive has been issued by the ASB with respect to the formulation of accounting policies and disclosure requirements, where SA Standards of GRAP have been issued but are not yet effective and the Fund has decided not to early adopt such standards. With respect to the disclosure of financial instruments therefore, the requirements of the International Financial Reporting Standards (IFRS) would be applicable in such instances.
10. International Financial Reporting Standard 7 (IFRS 7) requires an entity to disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed, at the end of the reporting period. The typical risks arising from financial instruments are credit risk, liquidity risk and market risk. None of the disclosure requirements as per IFRS 7 were complied with.

Disclaimer of opinion

11. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

13. I did not perform an audit of performance against predetermined objectives as the Fund is not required to prepare a report on its performance against predetermined objectives. The Fund does not fall within the ambit of the PFMA and there is no entity-specific legislation that requires the reporting on performance against predetermined objectives.

Compliance with laws and regulations

14. I performed procedures to obtain evidence that the Fund has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

Internal control

15. I considered internal control relevant to my audit of the financial statements and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion included in this report.

Leadership

16. The leadership did not adequately exercise oversight responsibility regarding financial reporting and timely preparation and submission of financial statements for auditing. The information systems in place were inadequate to ensure reliable financial

reporting in order to assist management to adequately manage the financial operations of the Fund.

17. Human resource management was ineffective in ensuring that sufficiently skilled resources were in place to perform the necessary tasks with respect to data capturing, accurate and timely reconciliations and proper record keeping applicable to financial reporting.

Financial management

18. Management did not adequately implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.

19. Management did not adequately implement controls over daily and monthly processing and reconciling of transactions.

20. Management did not prepare regular, accurate and complete financial reports that were supported and evidenced by reliable information.

OTHER REPORTS

Investigations

21. Various investigations are in progress and are at different stages of the process to probe cash shortages within the environment of the courts where cash is received and paid out. Such shortages identified by management are disclosed in note 3 to the financial statements.



Pretoria
Date: 2 May 2013



AUDITOR - GENERAL
SOUTH AFRICA

3.3 REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THIRD PARTY FUNDS

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Third Party Funds set out on pages 43 to 49, which comprise the statement of financial position as at 31 March 2013, the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the *General Notice* issued in terms of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004), 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.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Receivables

4. Included under receivables as disclosed in note 3 of the financial statements,

are shortages debtors. Investigations are not followed up and completed in a timely manner to ensure that debtors are either recovered or written off. I was unable to obtain sufficient appropriate audit evidence regarding the shortages debtors and I was also unable to confirm the shortages debtors by alternative means. Consequently, I was unable to determine whether any adjustments to the current and corresponding figures stated at R63 652 968 (2012: R63 008 178) in the financial statements were necessary.

Third party fund payables

5. I was unable to obtain sufficient appropriate audit evidence for the third party fund payables balances as the Fund did not have adequate systems in place to maintain records of accounts payable. I was also unable to confirm the balances by alternative means. Consequently, I was unable to determine whether any adjustments to the current figures as disclosed in the financial statements for bail, maintenance, fines and unclassified monies included in note 5 to the financial statements were necessary.

6. Included under third party fund payables, as disclosed in note 5 of the financial statements, is the accrued third party funds balance which is further explained in note 5.1 to the financial statements. I was unable to obtain sufficient appropriate audit evidence to satisfy myself regarding the accrued third party funds balance due to the status of the accounting records. I was also unable to confirm the accrued third party funds balance by alternative means. Consequently, I was unable to determine whether any adjustments to the current and corresponding figures stated at R14 447 628 (2012: R18 937 856) in the financial statements were necessary.

7. I was unable to obtain sufficient appropriate audit evidence to support

the third party fund payables balances relating specifically to state attorneys as the Fund did not have adequate systems in place to maintain records of accounts payable. I was also unable to confirm the balances by alternative means. Consequently, I was unable to determine whether any adjustments to the current and corresponding figures for balances relating to the South African Revenue Service (2013: R356 986; 2012: R168 442), state organisations (2013: R22 031 090; 2012: R63 126 114) and unclassified monies [2013: R2 246 848 (debit); 2012: R44 863 281] included in note 5 to the financial statements were necessary.

Cash receipts and payments including related receivables and payables

8. I was unable to obtain sufficient appropriate audit evidence to support individual cash receipts and cash payments, as well as the related receivables and payables due to the status of the accounting records as well as inadequate systems in place. Furthermore, discrepancies were identified regarding the classification of receipts and payments. I was unable to confirm the cash and cash equivalents movements and related receivables and payables balances by alternative means. Consequently, I was unable to determine whether any adjustments to bail, maintenance, fines, payments into court, unclassified monies and litigation as disclosed in notes 3, 4 and 5 to the financial statements were necessary.

Financial statement disclosures

9. The *General Notice* issued in terms of the PAA states that the financial statements of an entity which is not subject to the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA) must be prepared in accordance with the SA Standards of GRAP financial reporting framework issued by the Accounting Standards Board (ASB).
10. South African Standard of Generally Recognised Accounting Practice, GRAP 104, Financial Instruments, requires an entity to disclose information that enables users of its financial statements

to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed, at the end of the reporting period. The typical risks arising from financial instruments are credit risk, liquidity risk and market risk. None of the disclosure requirements as per GRAP 104 were complied with.

Disclaimer of opinion

11. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

13. I did not perform an audit of performance against predetermined objectives as the Fund is not required to prepare a report on its performance against predetermined objectives. The Fund does not fall within the ambit of the PFMA and there is no entity-specific legislation that requires reporting on performance against predetermined objectives.

Compliance with laws and regulations

14. I performed procedures to obtain evidence that the Fund has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

Internal control

15. I considered internal control relevant to my audit of the financial statements and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion included in this report.

Leadership

16. The information systems in place were inadequate to ensure reliable financial reporting in order to assist the leadership to adequately manage and exercise effective oversight regarding the financial operations of the Fund.

Financial management

17. Management did not adequately implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.

18. Management did not adequately implement controls over daily and monthly processing and reconciling of transactions.

19. Management did not prepare regular, accurate and complete financial reports that were supported and evidenced by reliable information.

OTHER REPORTS

Investigations

20. Various investigations are in progress and are at different stages of the process to probe cash shortages within the environment of the courts where cash is received and paid out. Such shortages identified by management are disclosed in note 3 to the financial statements.



Pretoria
Date: 20 August 2013



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence





ANNUAL FINANCIAL STATEMENTS

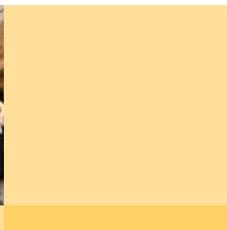


THIRD PARTY FUNDS

**ADMINISTERED BY THE DEPARTMENT OF JUSTICE AND
CONSTITUTIONAL DEVELOPMENT**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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**THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE
AND CONSTITUTIONAL DEVELOPMENT**
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

STATEMENT OF FINANCIAL POSITION

| | Notes | 2011 R | 2010 R |
|----------------------------|-------|--------------------|--------------------|
| ASSETS | | | |
| Current Assets | | | |
| Receivables | 3 | 79,904,762 | 79,623,755 |
| Cash and cash equivalents | 4 | 618,322,368 | 659,380,913 |
| TOTAL ASSETS | | 698,227,130 | 739,004,668 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Third Party Fund Payables | 5 | 698,227,130 | 739,004,668 |
| TOTAL LIABILITIES | | 698,227,130 | 739,004,668 |

STATEMENT OF CASH FLOWS

Net cashflow from administration activities

| | | | |
|---------------------------------------------------------------|---|---------------------|--------------------|
| Receipts from third parties | | 2,850,254,680 | 2,820,102,140 |
| Payments to third parties | | (2,879,747,626) | (2,768,673,533) |
| Net movements in shortages and maintenance debtor receipts | | (20,739) | (26,033,611) |
| Net movement in system reconciliation | | (6,724,878) | 2,423,552 |
| Net movement in consolidated national bank balance | | (4,538,173) | (5,157,340) |
| Interest received and bank charges | | (281,809) | 8,453,640 |
| Net cash from administration activities | | (41,058,545) | 31,114,848 |
| Net (decrease) / increase in cash and cash equivalents | | (41,058,545) | 31,114,848 |
| Cash and cash equivalents at the beginning of the year | | 659,380,913 | 628,266,065 |
| Cash and cash equivalents at the end of the year | 4 | 618,322,368 | 659,380,913 |

THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

The legal identity of Third Party Funds has not been defined but remains a vital administration function within the Department of Justice and Constitutional Development to deliver on the mandate to provide access to justice for all through improved service delivery. Accordingly, the primary function of Third Party Funds 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; and
- the timeous and accurate reporting of transactions.

| Category | Nature of Transactions |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Admission of guilt | Fines, mostly traffic fines, where the accused chooses not to defend the matter in court. These funds are paid over to either local or provincial government or the National Revenue Fund at the end of each month. |
| 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 twelve months after it has been authorised to be repaid to the depositor. |
| Court fines | Fines imposed by a court, which is paid over to the National Revenue Fund at the end of each month. |
| Maintenance | Funds are received from obligors in accordance with an order of court, which is 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 twelve months. |
| State Attorney Monies | Money collected by the State Attorney on behalf of Government Institutions. The State Attorney also collects a commission on debt collections on behalf of Government Institutions which is paid over to the National Revenue Fund. The State Attorney captures these transactions on the State Attorney System (SAS), which is independent of the JDAS system. |
| Compensatory Fines | Criminal court orders for a given defendant to pay compensation to a plaintiff. |
| Deferred Fines | Fines deferred over a period as imposed by a court, which are paid to the National Revenue Fund at the end of each month as Court Fines. |

**THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE
AND CONSTITUTIONAL DEVELOPMENT**
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

| Category | Nature of Transactions |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Payments into Court | Civil action where an offer in settlement of a plaintiff's claim is made. 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. |
| Unclassified Monies | Money received that cannot immediately be classified into one of the above categories, originates from an unknown source or maintenance monies received for which the obligor or employer has not yet forwarded the detail 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. |

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 Third Party Funds' role as a custodian of funds due between third parties and the nature of its operations no income or expenditure accrued to Third Party Funds. In addition, interest and bank charges accrue to the Department of Justice and Constitutional Development. This results in the statement of financial performance as well as statement of changes in net assets not reflecting any amounts.

The statement of cash flows does not present cash flows from operating, investing or financing activities as no funds collected from or distributed to third parties do not accrue to Third Party Funds, nor will it in future, due to the nature of Third Party Funds' operations. However, in order to achieve fair presentation, cash flows from administration activities have been presented.

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 Standards of Generally Recognised Accounting Practice ("GRAP") except for the areas of departure noted in 2.3 above. These Standards of GRAP have been applied as required by par. 33 of Government Gazette 33872 of 15 December 2010. 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 Standards have been applied for the first time in the 2010/2011 financial year.

2.2 APPLICABLE STANDARDS OF GRAP

Directive 5, issued by the Accounting Standards Board determines the GRAP Framework. Only the following Standards are applicable to the operations of Third Party Funds, excluding activities relating to administered funds, as these are not considered transactions with Third Party Funds.

GRAP 1 - Presentation of Financial Statements

GRAP 2 - Cash Flow Statements

GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors

**THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE
AND CONSTITUTIONAL DEVELOPMENT**
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Third Party Funds opted not to early adopt GRAP 104 - Financial instruments, as it relates to financial instruments, comprising only to balance held at bank. Principles of IAS 39 (AC 133) had been applied to recognition and measurement.

All other Standards, interpretations and Directives reflected in Directive 5, Annexure C, are not applicable to Third Party Fund's operations.

2.3 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.

Cash equivalents include cash received on behalf of Third Party Funds 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.

2.4 THIRD PARTY FUNDS PAYABLES

Third Party Funds payables included in the Statement of Financial Position arise from amounts that are due and payable to the beneficiaries. These amounts are recognised as the difference between amounts received and paid. It is measured at the amount received.

2.5 RECEIVABLES

Receivables included in the Statement of Financial Position arise from amounts that are recoverable from a third party and outstanding deposits. Receivables are measured at the amount of cash receivable. No adjustments are made for impairment due to the nature of the receivables as the Department of Justice and Constitutional Development will stand as guarantor for any amounts owing.

2.5.1 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.

2.5.2 Maintenance debtor

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

2.5.3 Shortages

Monies collected over the counter are deposited at a financial institution on a daily 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.

**THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE
AND CONSTITUTIONAL DEVELOPMENT**
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Following an internal investigation the Department of Justice and Constitutional Development may write off the amount.

2.6 COMPARATIVE FIGURES

Comparative figures have been adjusted to conform with changes in presentation.

3. RECEIVABLES

| | 2011 | 2010 |
|---------------------|-------------------|-------------------|
| Notes | R | R |
| Dishonoured cheques | 12,512,769 | 12,580,550 |
| Maintenance debtor | 3,986,740 | 3,340,178 |
| Shortages debtor | 63,405,253 | 63,703,027 |
| Unclaimed monies | - | - |
| | 79,904,762 | 79,623,755 |

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

| | | |
|-------------------------------------------|--------------------|--------------------|
| Consolidated Corporate Bank Balance | 687,059 | 4,813,364 |
| Consolidated Court Bank Balance | 545,698,958 | 601,565,238 |
| Consolidated State Attorneys Bank Balance | 71,936,351 | 53,002,311 |
| | 618,322,368 | 659,380,913 |
| Cash on hand and monies in transit | - | - |
| Balance as at 31 March | 618,322,368 | 659,380,913 |

Cash and cash equivalents resulted from the following classes of receipts and payments:

Cash receipts from third party transactions

| | | |
|-----------------------|----------------------|----------------------|
| - Bail | 349,443,717 | 326,109,875 |
| - Deeds | 128,670,533 | 46,571,749 |
| - Maintenance | 1,776,737,910 | 1,682,872,663 |
| - Litigation | 58,424,954 | 96,022,523 |
| - Fines | 377,539,712 | 398,127,028 |
| - Payments into Court | 5,445,513 | 7,398,739 |
| - Unclassified monies | 153,718,379 | 262,751,156 |
| - Commission | 273,962 | 248,407 |
| | 2,850,254,680 | 2,820,102,140 |

**THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE
AND CONSTITUTIONAL DEVELOPMENT**
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS - continued

| | Notes | 2011 R | 2010 R |
|----------------------------------------------------------------------------------|-------|------------------------|------------------------|
| Cash payments from third party transactions | | | |
| - Bail | | (311,249,640) | (289,074,180) |
| - Deeds | | (129,279,260) | (43,344,838) |
| - Maintenance | | (1,775,076,540) | (1,687,140,651) |
| - Fines | | (219,319,455) | (205,421,212) |
| - Payments into Court | | (7,351,926) | (10,295,781) |
| - Unclassified monies | | (167,446,451) | (233,873,432) |
| - Litigation | | (44,615,385) | (80,916,327) |
| Payments to Vote Account | | | |
| - Bail paid to Vote Account | | (25,504,673) | (20,765,106) |
| - Maintenance paid to Vote Account | | (176,474) | (231,407) |
| - Commission paid to Vote Account | | (273,962) | (248,407) |
| - Fines paid to Vote Account | | (189,322,118) | (184,268,134) |
| - Unclassified monies paid to Vote Account | | (10,131,742) | (13,094,058) |
| | | (2,879,747,626) | (2,768,673,533) |
| Net movements in shortages as well as maintenance debtor and RD cheques receipts | | (20,739) | (26,033,611) |
| Net receipts from third parties per JDAS during the year | | (29,513,685) | 25,394,996 |
| Other receipts and payments as per the cash flow statement: | | | |
| Interest received and bank charges | | (281,809) | 8,453,640 |
| Net movement in cash on hand | | . | . |
| | | (281,809) | 8,453,640 |
| Net movement in system reconciliation | 5.1 | (6,724,878) | 2,423,552 |
| Net movement in cash and cash equivalents during the year | | (36,520,372) | 36,272,188 |
| Net transfers out of Corporate Account | | (4,538,173) | (5,157,340) |
| Cash and cash equivalents at the beginning of the year | | 659,380,913 | 628,266,065 |
| Cash and cash equivalents at the end of the year | | 618,322,368 | 659,380,913 |

**THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE
AND CONSTITUTIONAL DEVELOPMENT**
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

5. THIRD PARTY FUND PAYABLES

| | Notes | 2011 R | 2010 R |
|-------------------------------|-------|--------------------|--------------------|
| Bail | | 331,410,220 | 321,835,817 |
| Maintenance | | 76,638,044 | 68,653,159 |
| Fines | | 57,951,708 | 83,407,458 |
| Payments into court | | 16,886,534 | 18,770,795 |
| South African Revenue Service | | 184,616 | 390,857 |
| State organisations | | 29,292,013 | 23,702,822 |
| Unclassified monies | | 148,885,970 | 173,131,300 |
| Corporate account balance | | (242,718) | 4,574,937 |
| Accrued third party funds | 5.1 | 37,220,743 | 44,537,523 |
| | | 698,227,130 | 739,004,668 |

5.1 ACCRUED THIRD PARTY FUNDS

In 2011, the Department of Justice and Constitutional Development initiated a process to verify and validate Third Party Funds transactions recorded in the Justice Deposit Administration System (JDAS) by matching these Third Party Funds transactions to the corresponding transactions recorded in the respective bank statements. At reporting date, not all transactions were accurately matched. The unmatched transactions have been ring-fenced and are subject to a continuous improvement exercise.

6. INTEREST RECEIVED AND BANK CHARGES

| | | |
|-------------------|------------------|------------------|
| Bank charges | (27,639,033) | (26,376,852) |
| Interest received | 27,357,224 | 34,830,492 |
| | (281,809) | 8,453,640 |

7. GOING CONCERN

Third Party Funds continues to act as a 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.

8. 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.

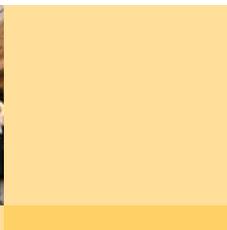


THIRD PARTY FUNDS

**ADMINISTERED BY THE DEPARTMENT OF JUSTICE AND
CONSTITUTIONAL DEVELOPMENT**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

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THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

STATEMENT OF FINANCIAL POSITION

| | Notes | 2012 R | 2011 R |
|----------------------------|-------|--------------------|--------------------|
| ASSETS | | | |
| Current Assets | | | |
| Receivables | | 80,185,258 | 79,904,762 |
| Cash and cash equivalents | | 629,844,693 | 618,322,368 |
| TOTAL ASSETS | | 710,029,952 | 698,227,130 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Third Party Fund Payables | | 710,029,952 | 698,227,130 |
| TOTAL LIABILITIES | | 710,029,952 | 698,227,130 |

STATEMENT OF CASH FLOWS

Net cashflow from administration activities

| | | |
|-------------------------------------------------------------------------|--------------------|--------------------|
| Receipts from third parties | 2,887,622,012 | 2,850,254,680 |
| Payments to third parties | (2,850,765,645) | (2,879,747,628) |
| Net movements in shortages as well as maintenance debtor and RD cheques | 84,152 | (20,739) |
| Net movement in system reconciliation | (18,675,223) | (6,724,881) |
| Net movement in consolidated national bank balance | (3,578,848) | (4,538,173) |
| Net interest received and bank charges | (3,164,122) | (281,807) |
| Net (decrease) / increase in cash and cash equivalents | 11,522,325 | (41,058,549) |
| Cash and cash equivalents at the beginning of the year | 618,322,368 | 659,380,917 |
| Cash and cash equivalents at the end of the year | 629,844,693 | 618,322,368 |

THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

The legal identity of Third Party Funds has not been defined but remains a vital administration function within the Department of Justice and Constitutional Development to deliver on the mandate to provide access to justice for all through improved service delivery. Accordingly, the primary function of Third Party Funds 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; and
- the timeous and accurate reporting of transactions.

CATEGORIES AND NATURE OF TRANSACTIONS

Admission of guilt: Fines, mostly traffic fines, where the accused chooses not to defend the matter in court. These funds are paid over to either local or provincial government or the National Revenue Fund at the end of each month.

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 twelve months after it has been authorised to be repaid to the depositor.

Court fines: Fines imposed by a court, which is paid over to the National Revenue Fund at the end of each month.

Maintenance: Funds are received from obligors in accordance with an order of court, which is 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 twelve months.

State Attorney Monies: Money collected by the State Attorney on behalf of Government Institutions. The State Attorney also collects a commission on debt collections on behalf of Government Institutions which is paid over to the National Revenue Fund. The State Attorney captures these transactions on the State Attorney System (SAS), which is independent of the Justice Deposit Accounts System (JDAS) system.

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

Deferred Fines: Fines deferred over a period as imposed by a court, which are paid to the National Revenue Fund at the end of each month as Court Fines.

Payments into Court: Civil action where an offer in settlement of a plaintiff's claim is made. 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.

Unclassified Monies: Money received that cannot immediately be classified into one of the above categories, originates from an unknown source or maintenance monies received for which the obligor or employer has not yet forwarded the detail 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.

While the operating expenses of the Fund are financed by the Department of Justice and Constitutional Development, it is not

THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

possible to accurately estimate the value of those transactions because of the intricate set of the relationship.

In terms of the Third Party Funds' role as a custodian of funds due between third parties and the nature of its operations no income or expenditure accrued to Third Party Funds. In addition, interest and bank charges accrue to the Department of Justice and Constitutional Development. This results in the statement of financial performance as well as statement of changes in net assets not reflecting any amounts.

The statement of cash flows does not present cash flows from operating, investing or financing activities as no funds collected from or distributed to thirds parties do not accrue to Third Party Funds, nor will it in future, due to the nature of Third Party Funds' operations. However, in order to achieve fair presentation, cash flows from administration activities have been presented.

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") except for the areas of departure noted above. These Standards of GRAP have been applied as required by par. 29 of Government Gazette 34783 of 28 November 2011. 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 Standards have been applied for the first time in the 2010/2011 financial year.

2.2 APPLICABLE STANDARDS OF GRAP

Directive 5, issued by the Accounting Standards Board determines the GRAP Framework. Only the following Standards

are applicable to the operations of Third Party Funds, excluding activities relating to administered funds, as these are not considered transactions with Third Party Funds.

GRAP 1 - Presentation of Financial Statements

GRAP 2 - Cash Flow Statements

GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors
Third Party Funds opted not to early adopt GRAP 104 - Financial instruments, as it relates to financial instruments, comprising only to balance held at bank. Principles of IAS 39 (AC 133) had been applied to recognition and measurement of cash and cash equivalents, and receivables and payables. All other Standards, interpretations and Directives reflected in Directive 5, Annexure C, are not applicable to Third Party Fund's operations.

2.3 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.

Cash equivalents include cash received on behalf of Third Party Funds 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.

2.4 THIRD PARTY FUNDS PAYABLES

Third Party Funds payables included in the Statement of Financial Position arise from amounts that are due and payable to the beneficiaries. These amounts are recognised as the difference between amounts received and paid. It is measured at the amount received.

**THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE
AND CONSTITUTIONAL DEVELOPMENT**
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2.5 RECEIVABLES

Receivables included in the Statement of Financial Position arise from amounts that are recoverable from a third party and outstanding deposits. Receivables are measured at the amount of cash receivable.

No adjustments are made for impairment due to the nature of the receivables as the Department of Justice and Constitutional Development will stand as guarantor for any amounts owing.

2.5.1 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.

2.5.2 Maintenance debtor

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

2.5.3 Shortages

Monies collected over the counter are deposited at a financial institution on a daily 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.

2.6 COMPARATIVE FIGURES

Comparative figures have not been restated.

3. RECEIVABLES

| | Notes | 2012 R | 2011 R |
|---------------------|-------|-------------------|-------------------|
| Dishonoured cheques | | 12,428,428 | 12,512,769 |
| Maintenance debtor | | 4,748,652 | 3,986,740 |
| Shortages debtor | | 63,008,178 | 63,405,253 |
| | | 80,185,258 | 79,904,762 |

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

| | | |
|-------------------------------------|--------------------|--------------------|
| Consolidated Corporate Bank Balance | (5,336,638) | 687,059 |
| Consolidated Court Bank Balance | 491,640,299 | 545,698,958 |
| Consolidated State Attorney Balance | 143,541,033 | 71,936,351 |
| Balance as at 31 March | 629,844,693 | 618,322,368 |

**THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE
AND CONSTITUTIONAL DEVELOPMENT**
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS - continued

Cash and cash equivalents resulted from the following classes of receipts and payments:

| | Notes | 2012 R | 2011 R |
|-----------------------------------------------------------------|-------|------------------------|------------------------|
| Cash receipts from third party transactions | | | |
| - Bail | | 349,976,964 | 349,443,717 |
| - Maintenance | | 1,843,843,861 | 1,776,737,910 |
| - Fines | | 367,653,837 | 377,539,712 |
| - Payments into Court | | 6,175,374 | 5,445,513 |
| - Unclassified monies | | 181,020,027 | 153,718,379 |
| - Deeds | | 34,215,545 | 128,670,532 |
| - Litigation | | 104,482,412 | 58,424,955 |
| - Commission | | 253,991 | 273,963 |
| | | 2,887,622,012 | 2,850,254,680 |
| Cash payments from third party transactions | | | |
| - Bail | | (335,632,565) | (311,249,640) |
| - Maintenance | | (1,852,030,350) | (1,775,076,540) |
| - Fines | | (186,109,400) | (219,319,455) |
| - Payments into Court | | (12,537,000) | (7,351,926) |
| - Unclassified monies | | (127,484,871) | (167,446,450) |
| - Deeds | | (38,508,654) | (129,279,260) |
| - Litigation | | (62,008,824) | (44,615,385) |
| - Payments to Vote Account | | (236,453,981) | (225,408,972) |
| - Bail paid to Vote Account | | (26,637,440) | (25,504,673) |
| - Maintenance paid to Vote Account | | (435,526) | (176,474) |
| - Fines paid to Vote Account | | (186,951,997) | (189,322,118) |
| - Payments into Court paid to Vote Account | | (118,308) | - |
| - Commission paid to Vote Account | | (253,991) | (273,963) |
| - Unclassified monies paid to Vote Account | | (22,056,719) | (10,131,744) |
| | | (2,850,765,645) | (2,879,747,628) |
| Net movements in shortages as well as maintenance debtor and RD | | 84,152 | (20,739) |
| Net receipts from third parties per JDAS during the year | | 36,940,518 | (29,513,687) |
| Other receipts and payments as per the cash flow statement: | | | |
| Interest received and bank charges | | (3,164,122) | (281,807) |

**THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE
AND CONSTITUTIONAL DEVELOPMENT**
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS - continued

| | Notes | 2012 R | 2011 R |
|-----------------------------------------------------------|-------|--------------------|--------------------|
| Net movement in system reconciliation | | (18,675,223) | (6,724,881) |
| Net movement in cash and cash equivalents during the year | | 15,101,173 | (36,520,376) |
| Net transfers out of Corporate Account | | (3,578,848) | (4,538,173) |
| Cash and cash equivalents at the beginning of the year | | 618,322,368 | 659,380,917 |
| Cash and cash equivalents at the end of the year | | 629,844,693 | 618,322,368 |

5. THIRD PARTY FUND PAYABLES

| | | | |
|-------------------------------|-----|--------------------|--------------------|
| Bail | | 314,931,308 | 331,410,219 |
| Maintenance | | 74,655,708 | 76,638,044 |
| Fines | | 112,568,844 | 57,951,708 |
| South African Revenue Service | | 168,442 | 184,617 |
| State Organisations | | 63,126,114 | 29,292,014 |
| Payments into court | | 10,381,490 | 16,886,534 |
| Unclassified monies | | 122,244,887 | 148,885,969 |
| Corporate account balance | | (6,984,696) | (242,717) |
| Accrued third party funds | 5.1 | 18,937,856 | 37,220,742 |
| | | 710,029,952 | 698,227,130 |

5.1 ACCRUED THIRD PARTY FUNDS

In 2011, the Department of Justice and Constitutional Development initiated an process to verify and validate Third Party Funds transactions recorded in the Justice Deposit Account System (JDAS) by matching these Third Party Funds transactions to the corresponding transactions recorded in the respective bank statements. At reporting date, not all transactions were accurately matched. The unmatched transactions have been ringfenced and are subject to a continuous improvement exercise.

6. INTEREST RECEIVED AND BANK CHARGES

| | | |
|-------------------|--------------------|------------------|
| Bank charges | (26,743,273) | (27,639,031) |
| Interest received | 23,579,151 | 27,357,224 |
| | (3,164,122) | (281,807) |

**THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE
AND CONSTITUTIONAL DEVELOPMENT**
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. GOING CONCERN

Third Party Funds continues to act as a 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.

8. 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.

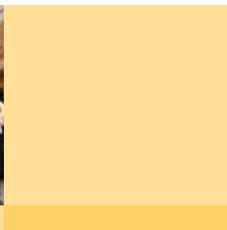


THIRD PARTY FUNDS

**ADMINISTERED BY THE DEPARTMENT OF JUSTICE AND
CONSTITUTIONAL DEVELOPMENT**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

STATEMENT OF FINANCIAL POSITION

| | Notes | 2013 R | 2012 R |
|----------------------------|-------|--------------------|--------------------|
| ASSETS | | | |
| Current Assets | | | |
| Receivables | 3 | 72,480,801 | 80,185,258 |
| Cash and cash equivalents | 4 | 541,742,152 | 629,844,693 |
| TOTAL ASSETS | | 614,222,953 | 710,029,951 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Third Party Fund Payables | 5 | 614,222,953 | 710,029,951 |
| TOTAL LIABILITIES | | 614,222,953 | 710,029,951 |

STATEMENT OF CASH FLOWS

Net cash flow from administration activities

| | | |
|-------------------------------------------------------------------------|--------------------|--------------------|
| Receipts from third parties | 2,912,774,647 | 2,887,622,012 |
| Payments to third parties | (3,004,089,913) | (2,850,765,645) |
| Net movements in shortages as well as maintenance debtor and RD cheques | (1,142,412) | 84,152 |
| Net movement in system reconciliation | 5,242,790 | (18,675,224) |
| Net movement in consolidated national bank balance | 15,031,022 | (3,578,848) |
| Net interest received and bank charges | (15,918,675) | (3,164,122) |
| Net (decrease) / increase in cash and cash equivalents | (88,102,541) | 11,522,325 |
| Cash and cash equivalents at the beginning of the year | 629,844,693 | 618,322,368 |
| Cash and cash equivalents at the end of the year | 541,742,152 | 629,844,693 |

THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

The legal identity of Third Party Funds has not been defined but remains a vital administration function within the Department of Justice and Constitutional Development to deliver on the mandate to provide access to justice for all through improved service delivery. Accordingly, the primary function of Third Party Funds 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; and
- the timeous and accurate reporting of transactions.

Categories and Nature of Transactions

Admission of guilt: Fines, mostly traffic fines, where the accused chooses not to defend the matter in court. These funds are paid over to either local or provincial government or the National Revenue Fund at the end of each month.

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 twelve months after it has been authorised to be repaid to the depositor.

Court fines: Fines imposed by a court, which is paid over to the National Revenue Fund at the end of each month.

Maintenance: Funds are received from obligors in accordance with an order of court, which is 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 twelve months.

State Attorney Monies: Money collected by the State Attorney on behalf of Government Institutions. The State Attorney also collects a commission on debt collections on behalf of Government Institutions which is paid over to the National Revenue Fund. The State Attorney captures these transactions on the State Attorney System (SAS), which is independent of the Justice Deposit Accounts System (JDAS).

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

Deferred Fines: Fines deferred over a period as imposed by a court, which are paid to the National Revenue Fund at the end of each month as Court Fines.

Payments into Court: Civil action where an offer in settlement of a plaintiff's claim is made. 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.

Unclassified Monies: Money received that cannot immediately be classified into one of the above categories, originates from an unknown source or maintenance monies received for which the obligor or employer has not yet forwarded the detail 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.

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 relationship. In terms of the Third Party Funds' role as a custodian of funds due between third parties and the nature of its operations no income or expenditure accrued to Third

THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Party Funds. In addition, interest and bank charges accrue to the Department of Justice and Constitutional Development. This results in the statement of financial performance as well as statement of changes in net assets not reflecting any amounts. 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 Third Party Funds, nor will it in future, due to the nature of Third Party Funds' operations. However, in order to achieve fair presentation, cash flows from administration activities have been presented.

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") except for the areas of departure noted above. These Standards of GRAP have been applied as required by par. 29 of Government Gazette 34783 of 28 November 2011. 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 Standards have been applied for the first time in the 2010/2011 financial year.

2.2 APPLICABLE STANDARDS OF GRAP

Directive 5, issued by the Accounting Standards Board determines the GRAP Framework. Only the following Standards are applicable to the operations of Third Party Funds, excluding activities relating to administered funds, as these are not considered transactions with Third Party Funds.

GRAP 1 - Presentation of Financial Statements
GRAP 2 - Cash Flow Statements
GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors

Although GRAP 104 – financial instruments is applicable, the disclosure requirements in terms of this Standard are not presented in these financial statements due to system related issues which prevents such disclosure at the time of preparation.

All other Standards, interpretations and Directives reflected in Directive 5, Annexure C, are not applicable to Third Party Fund's operations.

2.3 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. Cash equivalents include cash received on behalf of Third Party Funds 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.

2.4 THIRD PARTY FUNDS PAYABLES

Third Party Funds payables included in the Statement of Financial Position arise from amounts that are due and payable to the beneficiaries. These amounts are recognised as the difference between amounts received and paid. It is measured at the amount received.

2.5 RECEIVABLES

Receivables included in the Statement of Financial Position arise from amounts that are recoverable from a third party and outstanding deposits. Receivables are measured at the amount of cash receivable. No adjustments are made for impairment due to the nature of the receivables as the Department of Justice and Constitutional Development will stand as guarantor for any amounts owing.

**THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE
AND CONSTITUTIONAL DEVELOPMENT**
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2.5.1 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.

2.5.2 Maintenance debtor

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

2.5.3 Shortages

Monies collected over the counter are deposited at a financial institution on a daily 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.

2.6 COMPARATIVE FIGURES

Comparative figures have not been restated.

3. RECEIVABLES

| | Notes | 2013 R | 2012 R |
|---------------------|-------|-------------------|-------------------|
| Dishonoured cheques | | 3,660,014 | 12,428,428 |
| Maintenance debtor | | 5,167,819 | 4,748,652 |
| Shortages debtor | | 63,652,968 | 63,008,178 |
| | | 72,480,801 | 80,185,258 |

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

| | | |
|-------------------------------------|--------------------|--------------------|
| Consolidated Corporate Bank Balance | (1,148,326) | (5,336,638) |
| Consolidated Court Bank Balance | 487,862,833 | 491,640,299 |
| Consolidated State Attorney Balance | 55,027,645 | 143,541,032 |
| Balance as at 31 March | 541,742,152 | 629,844,693 |

**THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE
AND CONSTITUTIONAL DEVELOPMENT**
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS - continued

| | 2013 | 2012 |
|-----------------------------------------------------------------------------------------|------------------------|------------------------|
| Notes | R | R |
| Cash and cash equivalents resulted from the following classes of receipts and payments: | | |
| Cash receipts from third party transactions | | |
| - Bail | 322,588,118 | 349,976,964 |
| - Maintenance | 1,911,254,621 | 1,843,843,861 |
| - Fines | 358,465,868 | 367,653,837 |
| - Payments into Court | 5,329,449 | 6,175,374 |
| - Unclassified monies | 133,705,687 | 181,020,027 |
| - Deeds | 47,481,458 | 34,215,545 |
| - Litigation | 133,652,619 | 104,482,412 |
| - Commission | 296,827 | 253,992 |
| | 2,912,774,647 | 2,887,622,012 |
| Cash payments from third party transactions | | |
| - Bail | (302,890,561) | (335,632,565) |
| - Maintenance | (1,922,419,520) | (1,852,030,350) |
| - Fines | (186,781,707) | (186,109,400) |
| - Payments into Court | (5,394,774) | (12,537,000) |
| - Unclassified monies | (148,486,296) | (127,484,871) |
| - Deeds | (108,683,370) | (38,508,654) |
| - Litigation | (83,599,931) | (62,008,824) |
| - Payments to Vote Account | (245,833,754) | (236,453,981) |
| Bail paid to Vote Account | (18,721,795) | (26,637,440) |
| Maintenance paid to Vote Account | (27,737) | (435,526) |
| Fines paid to Vote Account | (184,751,629) | (186,951,997) |
| Payments into Court paid to Vote Account | (318,712) | (118,308) |
| Commission paid to Vote Account | (296,827) | (253,991) |
| Unclassified monies paid to Vote Account | (41,717,054) | (22,056,719) |
| | (3,004,089,913) | (2,850,765,645) |

**THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE
AND CONSTITUTIONAL DEVELOPMENT**
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS - continued

| | Notes | 2013 R | 2012 R |
|-----------------------------------------------------------------|-------|--------------------|--------------------|
| Net movements in shortages as well as maintenance debtor and RD | | (1,142,412) | 84,152 |
| Net receipts from third parties per JDAS during the year | | (92,457,678) | 36,940,519 |
| Other receipts and payments as per the cash flow statement: | | | |
| Interest received and bank charges | | (15,918,675) | (3,164,122) |
| Net movement in system reconciliation | | 5,242,790 | (18,675,224) |
| Net movement in cash and cash equivalents during the year | | (103,133,563) | 15,101,173 |
| Net transfers out of Corporate Account | | 15,031,022 | (3,578,848) |
| Cash and cash equivalents at the beginning of the year | | 629,844,693 | 618,322,368 |
| Cash and cash equivalents at the end of the year | | 541,742,152 | 629,844,693 |

5. THIRD PARTY FUND PAYABLES

| | | | |
|-------------------------------|-----|--------------------|--------------------|
| Bail | | 314,458,815 | 314,931,307 |
| Maintenance | | 71,743,128 | 74,655,707 |
| Fines | | 105,441,932 | 112,568,844 |
| South African Revenue Service | | 356,986 | 168,442 |
| State Organisations | | 22,031,090 | 63,126,114 |
| Payments into court | | 9,505,684 | 10,381,490 |
| Unclassified monies | | 84,096,882 | 122,244,887 |
| Corporate account balance | | (7,859,192) | (6,984,696) |
| Accrued third party funds | 5.1 | 14,447,628 | 18,937,856 |
| | | 614,222,953 | 710,029,951 |

5.1 ACCRUED THIRD PARTY FUNDS

In 2011, the Department of Justice and Constitutional Development initiated a process to verify and validate Third Party Funds transactions recorded in the Justice Deposit Account System (JDAS) by matching these Third Party Funds transactions to the corresponding transactions recorded in the respective bank statements. At reporting date, not all transactions were accurately matched. The unmatched transactions have been ring-fenced and are subject to a continuous improvement exercise.

**THIRD PARTY FUNDS ADMINISTERED BY THE DEPARTMENT OF JUSTICE
AND CONSTITUTIONAL DEVELOPMENT**
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6. INTEREST RECEIVED AND BANK CHARGES

| | Notes | 2013 R | 2012 R |
|-------------------|-------|---------------------|--------------------|
| Bank charges | | (24,358,223) | (26,743,273) |
| Interest received | | 8,439,548 | 23,579,151 |
| | | (15,918,675) | (3,164,122) |

7. GOING CONCERN

Third Party Funds continues to act as an agent of the Department of Justice and Constitutional Development (DoJ&CD) 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. A provision has been made in the DoJ&CD Annual Financial Statements for the 2012/13 financial year, to make good any shortfalls within the TPF.

8. 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.





ISBN: 978-0-621-42519-2

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