

THE DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT

# JUSTICE ADMINISTERED FUND 2021/22



Our vision is an accessible justice system in a vibrant and evolving constitutional democracy



**the doj & cd**

Department:  
Justice and Constitutional Development  
REPUBLIC OF SOUTH AFRICA





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# **REPORT BY THE ACCOUNTING OFFICER ON THE JUSTICE ADMINISTERED FUND**



**REPORT BY THE ACCOUNTING OFFICER TO THE EXECUTIVE AUTHORITY AND PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA ON THE ANNUAL FINANCIAL STATEMENTS FOR THE JUSTICE ADMINISTERED FUND FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

**1. INTRODUCTION**

The Justice Administered Fund (JAF) was established in terms of the Justice Administered Fund Act, 2017 (Act 2 of 2017), that came into effect on 1 April 2018. The purpose of the JAF is to manage maintenance beneficiary monies (local, foreign and future), the safekeeping of bail monies on behalf of depositors and the safekeeping of payments into court.

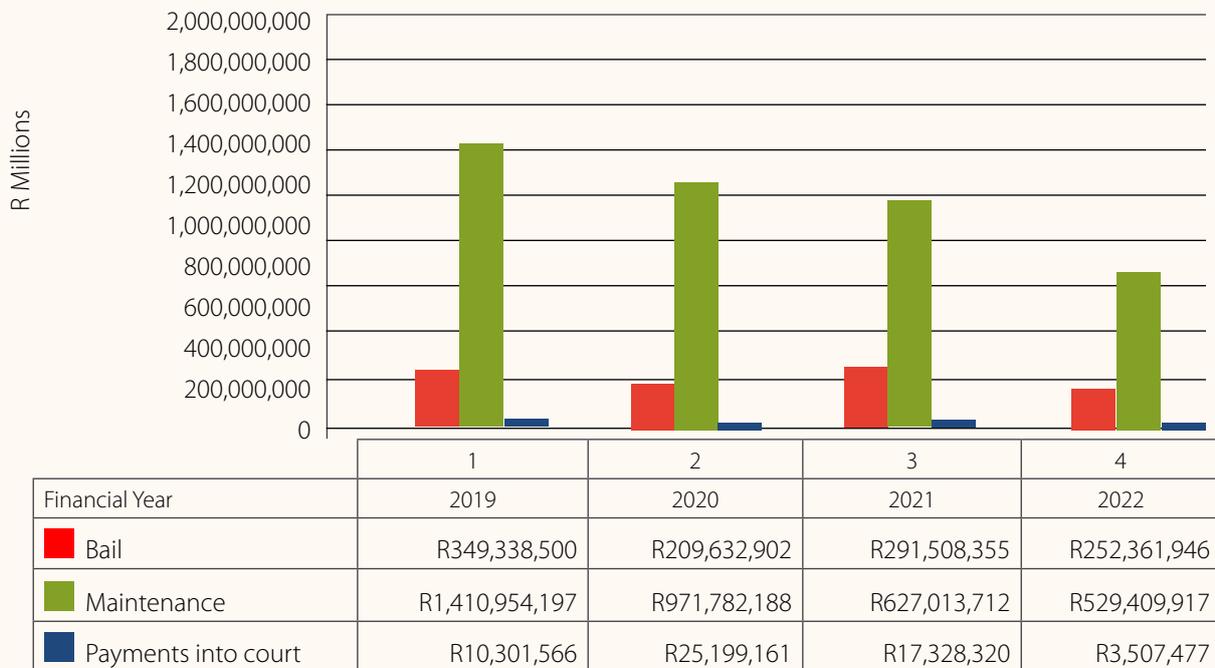
**(a) The Fund administers the following monies on behalf of third parties:**

- (i) Money received in terms of maintenance orders made in terms of the Maintenance Act, 1998 (Act No. 99 of 1998);
- (ii) Money received as bail payable in terms of the Criminal Procedure Act, 1977 (Act No. 51 of 1977), or any other Act of Parliament;
- (iii) Money paid into court in terms of any Rule of Court or any other subordinate legislation;
- (iv) Money received which cannot be allocated immediately into any of the categories listed in paragraphs (a) (i) to (iii).

The Fund also administers interest earned on monies paid into the Fund and bank charges levied in respect of all bank accounts held in the name of the Fund.

**(b) Financial overview**

Receipts from obligors and depositors during the financial year amounted to R 863 million, while payments and the refunds to beneficiaries and depositors amounted to R 785 million. The following table reflects the total payments for the 2021/22 financial year and the three preceding financial years in respect of the various categories to various beneficiaries and depositors.



## 2. SERVICES RENDERED:

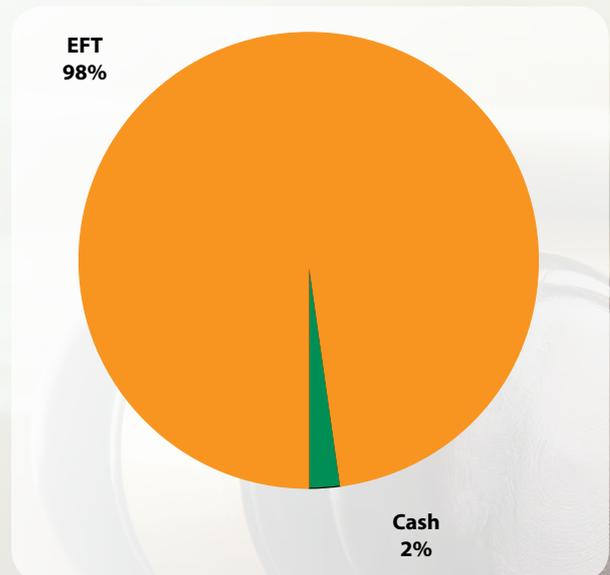
### (a) Maintenance:

Maintenance can be paid to the Fund by either the defendants directly or it may be deducted from the salary of the defendants and then paid to the Fund by their employers. JAF only accounts for monies received and paid in terms of the aforementioned process. Any unpaid monies must be dealt with through court processes, as this is a civil matter and JAF only acts as an intermediary.

JAF only deals with monies received through an order of the court and distributes these monies as speedily as possible after being received from defendants and/or their employers. The average turnaround time for such receipts and the payment thereof is between two to four working days. These payments are processed in the main through electronic funds transfers (EFT) on the MojaPay system.

Pre-2006, all maintenance beneficiaries were paid in cash versus the 1 690 beneficiaries paid in cash in March 2022. It is roughly estimated that at that time, in excess of 250 000 maintenance payments were made in cash. The move to EFT payments did not only benefit the maintenance beneficiaries that had to wait in long queues for hours on end, in many cases exposed to the elements and having to pay for transport to the various courts, but also the Department in reducing its expenditure on cash-in-transit costs and cash withdrawal fees. Recognition is given to officials at different levels of the Department for the large reduction in cash maintenance payments to beneficiaries over the last 16 years. It must be kept in mind that more than 98% of maintenance beneficiaries are receiving maintenance payments on a monthly basis via the EFT and bank systems (69 807 payments processed in March 2022). Some reasons for maintenance beneficiaries still relying on cash as a means of payment are lack of access to banking facilities in rural communities, high withdrawal costs, and the convenient location of courts versus bank locations. The graph on this page indicates the relationship of EFT versus cash payments made in respect of maintenance in March 2022:

To eliminate or reduce the number of maintenance payments that flow through our courts and to ensure that beneficiaries have access to their monies in a shorter space of time, the direct payment initiative has been widely promoted. The process entails the obligor (whether an individual defendant or his/her employer) having to deposit monies directly into the bank account of the beneficiary. All provinces of the Department are managing this project in consultation with the local judiciary & prosecution, where applicable, whereby the bulk of new maintenance orders issued are direct payment orders (39 387 were processed during the financial year under review) and where existing orders are reviewed and re-issued as direct payment orders (2 880 were reviewed and re-issued as direct payments for the financial year under review). After objective assessment including risks, by appointed maintenance officers and maintenance investigators, a recommendation for direct payment is presented to the judicial officer (magistrate) for approval and a relevant court order is issued. The success of this project has seen a significant reduction in the number of cash maintenance payments that must be dealt with by JAF and a reduction in the volume and value of the total turnover of monies processed through JAF.



Below is a breakdown per province of new direct payment orders issued and existing orders converted to direct payments for the years ended 31 March 2021 and 31 March 2022:

REGION	NEW ORDERS: 20/21	NEW ORDERS: 21/22	CONVERTED ORDERS: 20/21	CONVERTED ORDERS: 21/22
Eastern Cape	7 098	6 108	954	481
Free State	5 289	5 876	1 774	865
Gauteng	5 089	2 861	161	0
Limpopo	6 879	8 991	688	763
Mpumalanga	3 551	4 297	64	54
Northern Cape	1 759	1 841	76	103
North West	2 425	2 092	14	0
KwaZulu-Natal	1 292	4 609	364	474
Western Cape	4 409	2 712	305	140
<b>TOTAL:</b>	<b>37 791</b>	<b>37 546</b>	<b>4 400</b>	<b>2880</b>

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

The DoJ&CD has reached an agreement whereby the DoJ&CD, through MojaPay can deduct monies directly from the emoluments of government employees through PERSAL at national departments, provincial departments and government components, except the Department of Defence that uses PERSOL. This has the effect that these deductions are paid to JAF centrally, with the correct reference number. Once received by the Department, the monies are allocated and paid to the beneficiaries on the second working day after receipt. Previously, these monies were paid to the different courts of the Department for processing, and due to all the manual processes involved, it took between 5 and 20 working days before beneficiaries received their monies. In many instances, these payments were not correctly referenced and resulted in payments being made to incorrect beneficiaries.

The graph below illustrates the number of orders paid through this process in March 2022 and the three previous financial years. The decrease in 2022 can mainly be attributed to maintenance orders converted to direct payments and deductions that have been terminated (matured).



The DoJ&CD has also reached agreements with several employers and/or their service providers (including the Department of Defence) for bulk payments to be made to the JAF bank accounts. As far as the Department of Defence is concerned, the DoJ&CD processed 4 008 payments received for March 2022. In addition, 403 maintenance schedules received from different employers were processed in March 2022.

**(b) Bail:**

Bail payments in respect of the Criminal Procedure Act, 1977 (Act 51 of 1977) or any other legislation made to courts throughout the country as well as police stations and correctional facilities, are held on behalf of depositors by JAF until the finalisation of criminal cases.

When such monies are paid at police stations or correctional facilities, the monies are paid to courts in cash in most instances or by deposits into the nominated bank account by the South African Police Service (SAPS) and the Department of Correctional Services (DCS).

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

These payments include, but are not limited to, payments sometimes referred to as civil payments (for example, security deposits in civil matters and private prosecution matters), compensation fines or awards and in limited instances, payments in terms of Small Claims Court settlement orders. It further includes any other payments made to court in terms of a Rule of Court or any other law, of which the intended beneficiary may be a third party.

**3. SYSTEMS REVIEW AND DEVELOPMENT**

**(a) JDAS (Legacy system):**

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

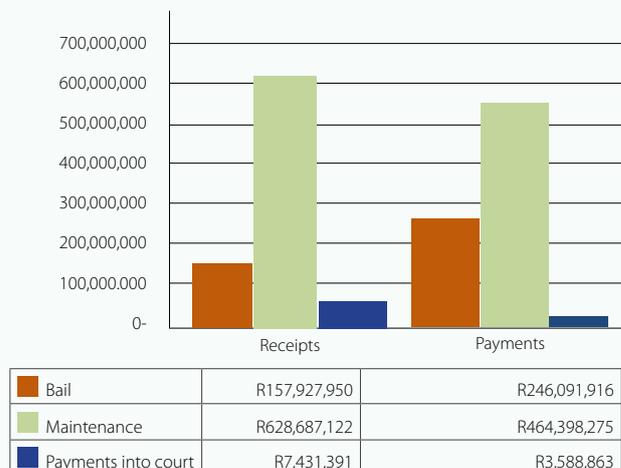
The Department continues to actively work on the closure of all remaining legacy system bank accounts and restricted access to the related JDAS databases. The COVID-19 pandemic delayed the finalisation of this process during the 2021/22 financial year. As at 31 March 2022, 43 court-based legacy bank accounts were still active, compared to 57 at the same time last year.

The various limitations placed on reporting data were *inter-alia* due to the shortcomings of JDAS which resulted in system errors and other invalid balances arising. These items were removed from the relevant financial statement components and grouped into the ring-fenced balance. The DoJ&CD has managed to clear some of these balances during the financial year under review, resulting in a decrease from R 5, 393 million to R 4, 852 million. The remainder of the ring-fenced balances will be investigated further during the 2022/23 financial year.

**(b) MojaPay (SAP):**

The Department implemented the MojaPay system at all main courts in a staggered fashion from 2016 to 2020.

During the 2021/22 financial year, the following receipts and payments were recorded on MojaPay:



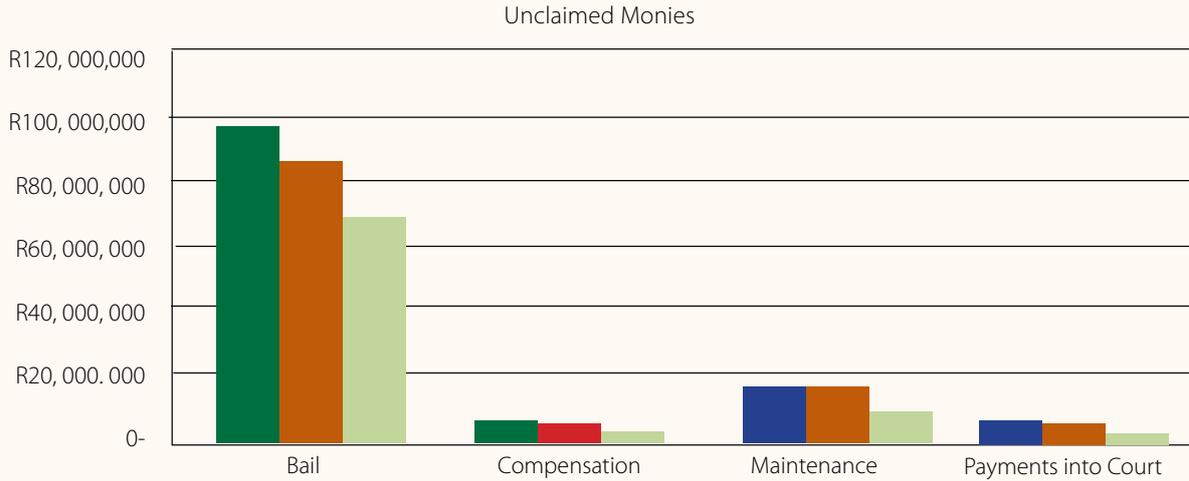
MojaPay is a nearly fully automated system, which eradicates the need for office level staff to perform monthly bank reconciliations and repetitive manual transactions on a daily, weekly and monthly basis.

During the current reporting period, the DoJ&CD suffered a malware attack on 6 September 2021, which, among others, affected the MojaPay system. Although MojaPay was restored for selected National Office staff within two weeks after the attack, to mainly ensure continued service delivery to maintenance beneficiaries, the system was not accessible (for security purposes) to other users within the Department, and especially those at court level. This had the effect that courts had to perform manual transactions, including receipts and banking until late October 2021, which led to an increase in human errors.

The manual transactions performed then had to be captured on MojaPay when the system became accessible again, which in some cases caused the late capturing of transactions and the capturing of these manual transactions in the incorrect accounting periods.

**(c) Management of unclaimed monies:**

Unclaimed monies have since 1 April 2014 been kept separate, at first after a directive issued by the National Treasury and later in terms of the JAF Act. As at 31 March 2021, the balance of these monies was R 103, 2 million. As at 31 March 2022, the cumulative balance of unclaimed monies was R 114, 8 million as depicted in the graph on the following page:



	2021 - 22	2020 - 21	2019 - 20
Bail	R96,435,801	R85,170,345	R65,593,742
Compensation	R1,320,286	R1,307,402	R462,343
Maintenance	R12,722,421	R12,624,746	R4,421,611
Payments into Court	R4,355,699	R4,099,237	R2,603,941

The high level of unclaimed bail monies is as a result of depositors not claiming their bail monies after criminal cases have been finalised. In most of these instances, and especially in respect of bail monies collected by SAPS and DCS, depositors provide incorrect and/or incomplete contact information, which hampers tracing such beneficiaries. In most instances, even basic details such as the identity number of the depositor are not recorded. It must be kept in mind that in many instances, the depositor of the bail is a different person than the accused. The Department will pay funds unclaimed after ten years to the National Revenue Fund according to the JAF Act. It must however be noted that to date the currently unclaimed funds have not reached the ten years as yet, given that the National Treasury directive only came into effect on 1 April 2014. Until then, the increasing trend is expected to continue given the aforementioned reasons with regard to the bail monies.

**(d) New payment methods:**

The Department piloted stand-alone Point-of-Sale (POS) devices at 25 courts across the Northern Cape, North West and the Free State during March 2021. It subsequently installed these devices to a further 446 courts in the 2021/22 financial year. Another court received its device on 1 April 2022. This project was initiated to make payments, including bail to JAF by the public, more convenient and it is envisaged that this will reduce cash handling at courts as well as reduce expenditure for the Department in respect of cash-in-transit costs and cash deposit fees.

**4. Legislative reform:**

Since the implementation of the JAF Act on 1 April 2018, monies not included in the Act, but previously reported on as part of the TPF financial statements, are now reported on in the Vote financial statements of the DoJ&CD for the 2018/19 and subsequent financial years, while monies received and paid in respect of maintenance, bail, compensation fines and payments into court, are reported on in the financial statements in respect of the JAF.

**5. Tariff policy**

No fees are charged for the services rendered in respect of JAF, as payments are effected in the main, in respect of maintenance beneficiaries, most of whom hail from the vulnerable groups in society.

In terms of the JAF Act, interest earned on bank balances are to be utilised to off-set bank charges.

**6. Corporate governance arrangements**

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

**Oversight Structures:**

- a. Risk Management Committee
- b. Audit Committee

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 continues to monitor the progress in terms of the implementation of the plan and whistle blowing policy.

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

## **7. Approval**

The Annual Financial Statements on pages 17 to 27 are hereby approved.



**ADV D MASHABANE**  
**DIRECTOR-GENERAL: DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT**  
**31 JULY 2022**

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



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

### 1. REPORT OF THE AUDIT COMMITTEE

We are pleased to present our final report for the financial year ended 31 March 2022

#### 1.1 AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee consists of the members listed below and is required to meet at least four times per annum as per its approved terms of reference. During the year, six (06) and two (02) special meetings were held as indicated below.

Name of members	Number of meetings attended	Number of meetings attended	Status
Ms. Besky Maluleka-Ngunjiri (Chairperson)	6	2	Appointed 24/02/2020
Mr. Cedric Boltman	5	2	Retired 30/09/2021
Ms Linda Meyer	5	2	Retired 30/09/2021
Mr Bheki Mkhabela	5	2	Retired 30/09/2021
Mr Eric Nwendo	6	2	Appointed 24/02 /2020
Mr Moholola Johannes Makgokolla	6	2	Appointed 24/02 /2020
Ms Gabisile Simelane	1	0	Appointed 01/10 /2021
Mr. Ashley Latchu	1	0	Appointed 01/10 /2021
Dr Lebogang Mphahlele-Ntsasa	1	0	Appointed 01/10 /2021
Mr Thabo Sakasa	1	0	Appointed 01/10 /2021

#### 1.2 AUDIT COMMITTEE RESPONSIBILITY

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirement of section 38 (1) (a) of the public finance management Act, 1999 (Act NO. 1 of 1999) and Treasury Regulations. We also report that the Audit Committee discharged its responsibilities as per its terms of reference provided for in

#### 1.3 THE EFFECTIVENESS OF INTERNAL CONTROLS

The Audit Committee has noted that the gains achieved in the improvement of operational controls for supporting the preparation of the financial statements have been sustained.

Audit Committee is pleased with the positive audit outcomes achieved and this should be welcomed. The control weakness which resulted in the error as reported on the Auditor-General Report need to be addressed.

#### INTERNAL AUDIT

The Department of Justice and Constitutional Development's Internal Audit Unit is responsible for the review of JAF and the Unit has also discharged its responsibilities as per the Internal Audit plan.

#### 1.4 REPORTS

##### 1.4.1 The quality of in-year management and monthly/quarterly reports submitted in terms of the PFMA

We are satisfied with the content and quality of monthly and quarterly reports prepared by the Accounting Officer of the Department during the year under review.

#### 1.4.2 Evaluation of financial statements

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

#### 1.5 AUDITOR-GENERAL SOUTH AFRICA

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



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**B Maluleka-Ngunjiri**  
**Chairperson of the Audit Committee**

**Date: 31 JULY 2022**

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



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

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Justice Administered Fund set out on pages 17 to 27 which comprise the statement of financial position as at 31 March 2022 and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Justice Administered Fund as at 31 March 2022, and cash flows for the year then ended in accordance with Standard of General Recognised Accounting Practice (Standards of GRAP).

#### Basis for opinion

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

#### Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. As disclosed in note 10 to the financial statements, corresponding figures for 31 March 2021 were restated as a result of an error in the financial statements of the Fund at, and for the year ended, 31 March 2022.

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

8. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the Justice Administered Fund 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.
9. In preparing the financial statements, the accounting officer is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

### Report on the audit of compliance with legislation

13. The fund is not required to prepare a report on its performance against predetermined objectives, as it does not fall within the ambit of the PFMA and such reporting is not required in terms of the entity's specific legislation.
14. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

## Other information

15. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements and the auditor's report.
16. My opinion on the financial statements and findings on compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
17. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
18. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected, this will not be necessary.

## Internal control deficiencies

19. I considered internal control relevant to my audit of the financial statements, however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control

*Auditor-General*

Pretoria  
31 July 2022



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-general’s responsibility for the audit

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

### Financial statements

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

### Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

# **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022**



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## STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2022

		2022	2021
		R	R
<b>ASSETS</b>	<b>NOTE</b>		
<b>Current Assets</b>			
Receivables from non-exchange transactions	3	4,691,889	9,943,687
Courts		4,691,889	9,943,687
Other financial assets	7	4,851,643	5,392,754
Cash and cash equivalents	4	655,643,082	567,713,859
<b>TOTAL ASSETS</b>		<b>665,186,614</b>	<b>583,050,300</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables from non-exchange transactions	6	665,186,614	583,050,300
<b>TOTAL LIABILITIES</b>		<b>665,186,614</b>	<b>583,050,300</b>

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

		2022	2021
		R	R
<b>Net cash flow from operating activities</b>			
Receipts from third parties	5	863,295,140	991,193,132
Payments to third parties	5	(785,279,339)	(935,850,386)
Net movements in shortages as well as maintenance debtor and RD cheques		5,884,110	3,870,618
Net movement in consolidated bank charges and interest bank accounts		1,623,817	462,681
Net interest received and bank charges		3,925,111	2,077,228
Adjustments for fines and other legacy accounts		(1,519,616)	(8,876,892)
Net (decrease) /increase in cash and cash equivalents		87,929,223	52,876,380
Cash and cash equivalents at the beginning of the year		567,713,859	514,837,479
<b>Cash and cash equivalents at the end of the year</b>		<b>655,643,082</b>	<b>567,713,859</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 1. Presentation

The Justice Administrated Fund Act, 2017 (Act 2 of 2017) was assented to on 6 April 2017 and implemented on 1 April 2018 for the following transactions.

#### Categories and nature of transactions

**Bail:** Where an accused is granted bail by a judicial officer or a duly authorised official, these funds are retained until a court authorises the return of the funds to the depositor upon completion of the case if the bail conditions have been met. They are forfeited to the state if the bail conditions have not been met or they are paid over to the National Revenue Fund through the Vote Account of the Department when the monies remain unclaimed for a period longer than ten years after it has been authorised to be repaid to the depositor.

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

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

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

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").

The Fund's principal accounting policies, which are in all material respects consistent with those applied in the previous years, except where expressly indicated elsewhere, are set out below.

#### 1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the Justice Administered Fund (JAF).

### 1.2 Going concern assumptions

These Annual Financial Statements have been prepared based on the expectation that the Justice Administered Fund will continue to operate as a going concern for at least the next 12 months.

### 2. Summary of significant accounting policies

#### 2.1 Financial instruments

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

#### 2.2 Initial and subsequent measurement

Financial instruments are recognised when the JAF becomes a party to the transactions and are measured at fair-value.

JAF would derecognise a financial instrument only when:

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

#### 2.3 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and at the bank at the reporting date. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash that are immediately available, and which are subject to insignificant risk of changes in value. Cash at bank is held with reputable banking institutions as authorised by National Treasury in the name of the Department of Justice and Constitutional Development and the Justice Administered Fund. Cash equivalents include cash received, which may still have been in transit at the end of the reporting period. The balance of cash and cash equivalents accrues to third parties. Refer to the payables note below.

#### 2.4 Receivables from non-exchange transactions

Receivables arise from the legal activities of the JAF and represent amounts that are recoverable from another/identifiable party and include, but are not limited to, dishonoured cheques, maintenance debtors and shortages. Receivables are initially measured at the amount of cash receivable (the transaction amount).

Receivables are derecognised when the JAF recovers the amounts owing or when amounts are written-off through the Department of Justice and Constitutional Development (DoJ&CD) Vote funding when irrecoverable.

### 2.4.1 Dishonoured cheques

Dishonoured cheques debtors are recognised in the statement of financial position when cheques received from various obligors were returned "refer to drawer" by the financial institutions only after a payment had already been made to a JAF beneficiary in the interest of service delivery. Following an internal investigation, the Department of Justice and Constitutional Development may write-off the amount when irrecoverable.

### 2.4.2 Maintenance debtors

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

### 2.4.3 Shortage debtors

Monies collected over the counter are deposited at one of the authorised financial institutions regularly. Where an amount received over the counter is less than the amount indicated on the receipt or where the amount deposited is less than the amount received by the bank, a cash shortage is recorded. All cash shortages are investigated, and a receivable is raised for shortages. Following an internal investigation, the Department of Justice and Constitutional Development may write-off the amount if irrecoverable.

### 2.4.4 State institutions and other receivables

The receivable state institutions and other receivables refers to money due from state institutions that includes provincial governments and local authorities. These may include payments made to these beneficiaries in error.

## 2.5 Payables from non-exchange transactions

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

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

Payables are measured at cost less payments made.

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

## 2.6 Other financial assets and liabilities

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

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

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

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

Fair presentation of the financial statements has been strengthened through this ring-fencing exercise, as other components of the financial statements now give a fair reflection of the current and previous year's operations and balances at year end.

## 2.7 Statement of cash flows

The statement of cash flows presents cash flows from operating activities, although funds collected from, or distributed to third parties do not accrue to the JAF due to the nature of its operations. In order to achieve fair presentation however, cash flows have been presented as originating from operating activities and cash flows have been disclosed at face value of each transaction and are not based on any estimation(s).

Other adjustments as disclosed in the statement of cash flows arise from movements in respect of the legacy system (JDAS) and legacy bank accounts as well as ring-fenced amounts.

## 2.8 Related parties

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

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

## 3. Receivables from non-exchange transactions

	2022	2021
	R	R
<b>Courts</b>		
Dishonoured cheques	360,485	361,847
Maintenance debtors	251,603	586,569
Shortage debtors	3,887,111	3,973,058
State institutions and other receivables	4,000	13,000
Vote: Receivable from the Department of Justice and Constitutional Development	188,690	5,027,212
<b>Total receivables from non-exchange transactions</b>	<b>4,691,889</b>	<b>9,943,687</b>

## Receivables age analysis

	Counter shortages	Maintenance overpayments	Dishonoured cheques	State Institutions	VOTE: Receivable from DoJ	TOTAL
	R	R	R	R	R	R
<b>0 to 6 months</b>	527 459	10 986	-	500	124 440	663 385
<b>7 to 12 months</b>	540 706	2 600	-	-	-	543 305
<b>13 to 24 months</b>	341 712	25 455	200 000	3000	-	570 167
<b>25 to 36 months</b>	743 025	16 704	134 920	-	-	894 649
<b>37 to 60 months</b>	32 525	43 020	-	-	20 900	96 445
<b>61 months plus</b>	1 701 684	152 838	25 565	500	43 350	1 923 938
<b>Total Amount</b>	<b>3 887 111</b>	<b>251 603</b>	<b>360 485</b>	<b>4 000</b>	<b>188 690</b>	<b>4 691 889</b>

Receivables from non-exchange transactions are managed in terms of the Justice Administered Fund (JAF) Financial Instructions (JAFFI), which have been issued in terms of section 9 of the JAF Act, 2017 (Act 2 of 2017). In terms of this, all receivables not recoverable from the responsible party must be accounted for within the Fund, until responsibility and accountability can be determined (or not).

In terms of paragraph 4.2.3 of the JAFFI, should the Department of Justice & Constitutional Development (DoJ&CD) be unable to recover such amounts, it must follow its processes to write-off the amount(s) concerned. This has the implication that all receivables from non-exchange transactions are recoverable from the DoJ&CD, should it not be recoverable from an identified party or when such party cannot be identified after investigations have been concluded.

The amount above listed as receivable from the DoJ, represents the amount for which approval has been obtained to write-off or fund the JAF, but the actual funds have not yet been transferred (or are in transit) from the DoJ&CD to the JAF by the end of the reporting period. This could also represent amounts that have been recovered but paid to the DoJ&CD and have not yet been transferred to the JAF by the end of the reporting period (or are in transit).

**4. Cash and cash equivalents**

	<b>2022</b>	<b>2021</b>
	<b>R</b>	<b>R</b>
Consolidated Bank Balance	655,643,082	567,713,859
	<b>655,643,082</b>	<b>567,713,859</b>

**5. Classes of receipts and payments****Cash receipts from JAF transactions**

- DoJ&CD Courts	863,295,140	991,193,132
	<b>863,295,140</b>	<b>991,193,132</b>

**Cash payments from JAF transactions**

- DoJ&CD Courts	(785,279,339)	(935,850,386)
	<b>(785,279,339)</b>	<b>(935,850,386)</b>

**6. Payables from non exchange transactions**

<b>Vote: Payable Corporate Account</b>	12,234,016	6,685,089
<b>Courts</b>		
Bail	521,242,948	458,693,960
Maintenance	112,864,644	106,051,979
Unclassified monies	5,608,137	5,034,939
Payments into court	7,162,477	6,543,233
Vote payable	6,074,392	41,100
	<b>665,186,614</b>	<b>583,050,300</b>

**7. OTHER FINANCIAL ASSETS AND LIABILITIES**

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

The various limitations placed on reporting data are *inter-alia* due to the shortcomings of the administrative legacy systems which resulted in system errors and other invalid balances arising. These items are removed from the relevant financial statement components and grouped into this ring-fenced balance under other financial assets and liabilities. These balances and transactions are available at office level and have been aged. The process of investigating is ongoing and clearing happens when supporting documentation becomes available. The table below indicates the current situation as far as this is concerned.

	As disclosed in 2021/2022	As disclosed in 2020/21	Movement	Nature of movement
	R	R	R	
<b>Receivables</b>	<b>381,680</b>	<b>466,036</b>	<b>84,356</b>	
Courts	381,680	466,036	84,356	Clearing of invalid shortages, write-offs by delegated authorities and recovery of overpayments & debtors.
<b>Cash and cash equivalents</b>	<b>5,273,543</b>	<b>5,986,950</b>	<b>713,407</b>	The net impact of clearing the receivables and payables and clearing of system and data errors, such as erroneous postings of interest and charges.
<b>Payables</b>	<b>(803,580)</b>	<b>(1,060,232)</b>	<b>(256,652)</b>	
Courts	(803,580)	(1,060,232)	(256,652)	Pay overs to beneficiary institutions, identified beneficiaries/depositors and clearing of beneficiary listings.
<b>Other financial Asstes</b>	<b>4,851,643</b>	<b>5,392,754</b>	<b>541,111</b>	

## 8. Interest received and bank charges

	2022	2021
	R	R
Bank charges	(8,204,907)	(10,038,768)
Interest Received	12,130,017	12,115,995
	<u>3,925,111</u>	<u>2,077,228</u>

## 9. EVENTS AFTER THE REPORTING PERIOD

There are no events at the end of the reporting date that might have a material impact on the amounts disclosed.

## 10. RESTATEMENT OF PRIOR PERIOD ERRORS

The related party transactions for the prior financial year ended 31 March 2021 were restated to correct the error. An error was made by excluding the Director-General of the Department of Justice and Constitutional Development as a related party who controls and exercises significant influence over the Fund. As the posts of Director-General and the Chief Financial Officer were vacant or the incumbent not able to fulfil the responsibilities (Chief Financial Officer), acting appointments (with or without remuneration) were appointed from time to time to fulfil the responsibilities attached to these positions in both financial years.

	As disclosed in 2020/2021	Prior period error for the year 2020/2021	Restated balance
Office of the DG	0	205 476	205 476

## 11. RELATED PARTY TRANSACTIONS:

The Justice Administered Fund is administered by the Department of Justice & Constitutional Development and as such administration costs, including salaries of officials administering the fund are incurred by the Department.

Relationship	Nature of relationship
Controlling entities under common control In	In light of the Department of Justice and Constitutional & Development being the administrator, the Fund is considered related to other entities under common control, namely; the President's Fund, the Guardian's Fund, the Special Investigating Unit and the Legal Aid South Africa. There are no transactions or balances with these entities in the reporting period.
Members of key management	Key management includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Fund as listed below. Their salaries and allowances are paid for by the Department.
Administration support	These officials are not exclusively performing duties related to this fund alone. They are employees of the Department and also perform other duties related to the Department.

Key management information		
Class	Description	Number
Director-General	Level 16	1
Chief Financial Officer	Level 15	1
Chief Director	Level 14	1
Director	Level 13	1

	2022 R	2021 Restated R
<b>Total administration costs (salaries) disclosed as:</b>	<b>5,187,669</b>	<b>5,051,499</b>
Office of the DG	2,340,359	205,476
Office of the CFO	2,847,310	4,846,023
<b>Key personnel costs disclosed as:</b>	<b>5,187,669</b>	<b>5,051,499</b>
Director-General (1)	2,340,359	205,476
Chief Financial Officer (1)	498,897	1,918,644
Chief Director (1)	964,444	1,577,259
Directors (1)	1,383,969	1,350,120

## 12. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Interest rate risk

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

### 12.1 Credit risk

- Cash held at bank

The bank balances represent the maximum exposure to credit risk of the Fund. The Fund, through the DoJ&CD, only banks with reputable banking institutions and is limited to bank with these banks by National Treasury. These institutions are:

- ABSA
- Nedbank
- Standard Bank
- First National Bank

### 12.2 Interest rate risk

The Fund does not actively manage its exposure to changes in the interest rate applicable to its bank balances which carry interest at a variable rate. The bank balances of the Fund are of a short-term nature and therefore the exposure is minimal. The Fund is not allowed to manage available cash balances to maximise return, as the amounts in bank are essentially owed to beneficiaries and depositors. Interest rates and bank charges are fixed as per an agreement between National Treasury and these banks.

### 12.3 Compliance risk

Compliance risk is defined as the risk of legal sanctions, material financial loss, or loss to reputation the Fund may suffer as result of its failure to comply with laws, regulations, codes of conduct and standards of best/good practice. Compliance is managed through the JAF Act, JAF Financial Instructions, JAF Financial Directives, Standard Operating Procedures and training interventions.

## 13. Effect of legislation change

The Justice Administered Fund Act, 2017 (Act 2 of 2017) was assented to on 6 April 2017 and implemented on 1 April 2018. The effect of the Act was that, as from 1 April 2018, collected monies not included in the Act, but previously reported on as part of the TPF (Third Party Funds) financial statements, is solely reported on in the Vote financial statements of the DoJ&CD, while monies received and paid in respect of maintenance, bail and payments to court, are reported on in the financial statements in respect of the JAF (Justice Administered Fund).



ADV D MASHABANE  
 DIRECTOR-GENERAL: DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT  
 31 JULY 2022

