

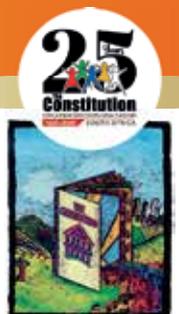


# JUSTICE ADMINISTERED FUND ANNUAL REPORT 2020 | 21



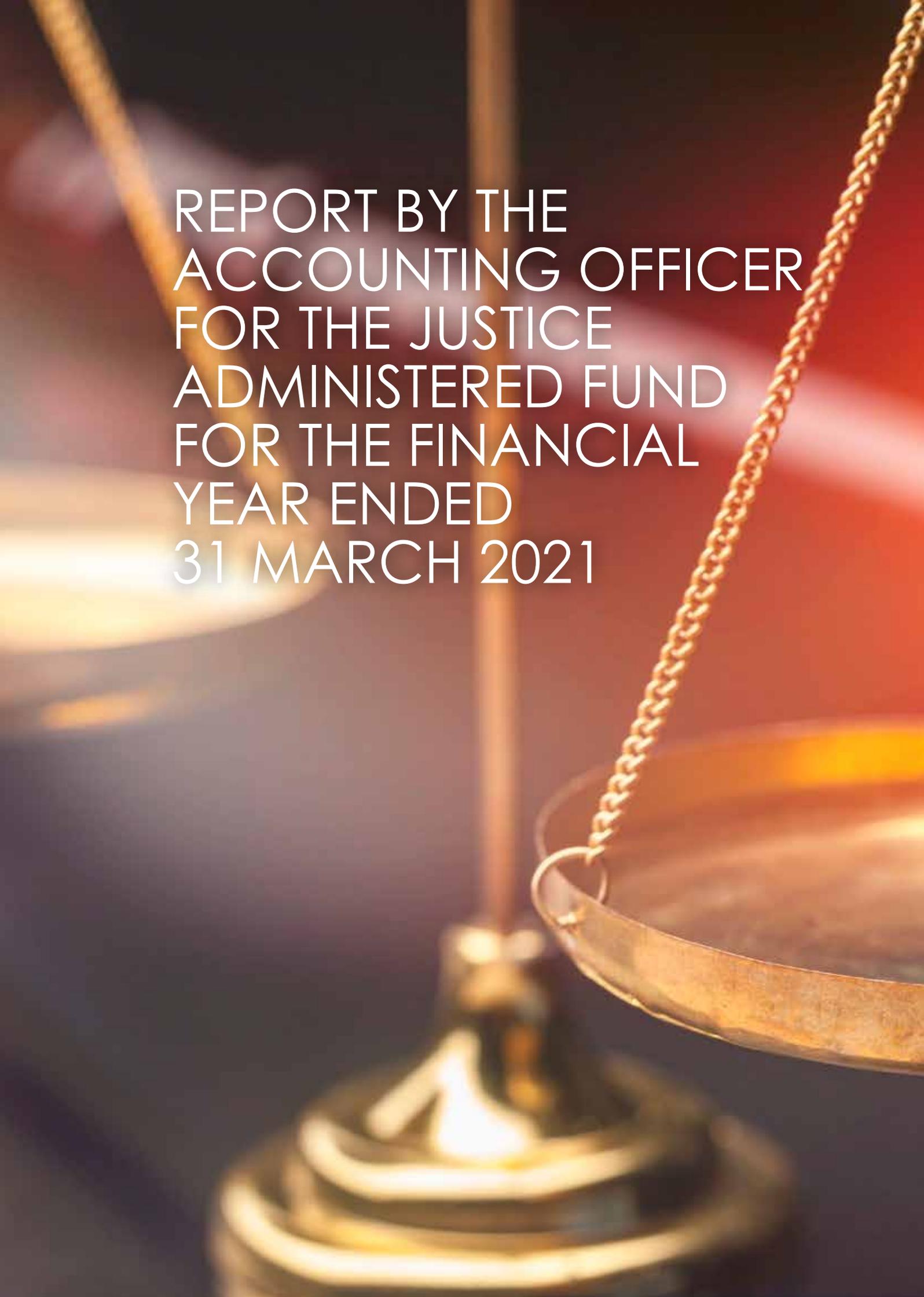
**the doj & cd**

Department:  
Justice and Constitutional Development  
REPUBLIC OF SOUTH AFRICA



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REPORT BY THE  
ACCOUNTING OFFICER  
FOR THE JUSTICE  
ADMINISTERED FUND  
FOR THE FINANCIAL  
YEAR ENDED  
31 MARCH 2021

# 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 2021

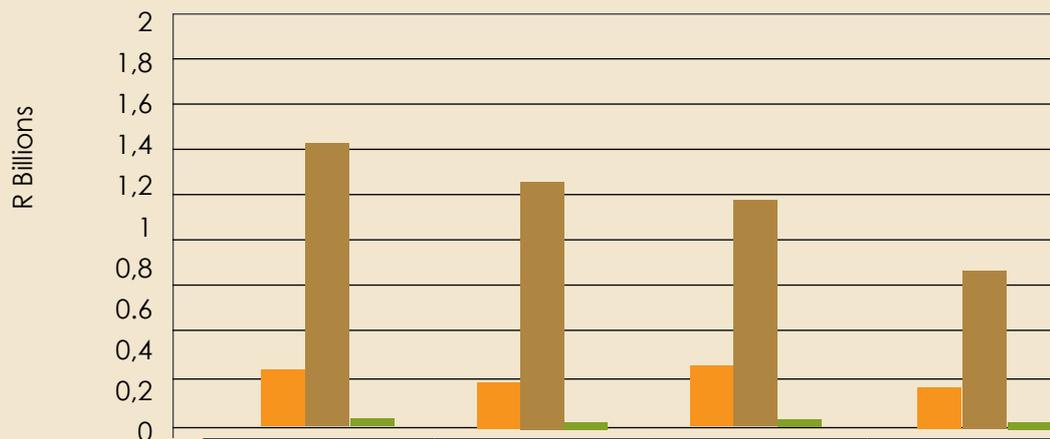
## 1. Introduction

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

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

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

Receipts from obligors and depositors during the financial year amounted to R 991 billion, while payments and refunds to beneficiaries and depositors amounted to R 936 billion. The following table reflects the total payments for 2020/21 and the three preceding financial years in respect of the various categories to various beneficiaries and depositors.



Financial Year	1	2	3	4
	2018	2019	2020	2021
Bail	271,702,352	349,338,500	209,632,902	291,508,355
Maintenance	1,528,338,663	1,410,954,197	971,782,188	627,013,712
Payments into court	14,420,186	10,301,566	25,199,161	17,328,320

## 2. Services rendered:

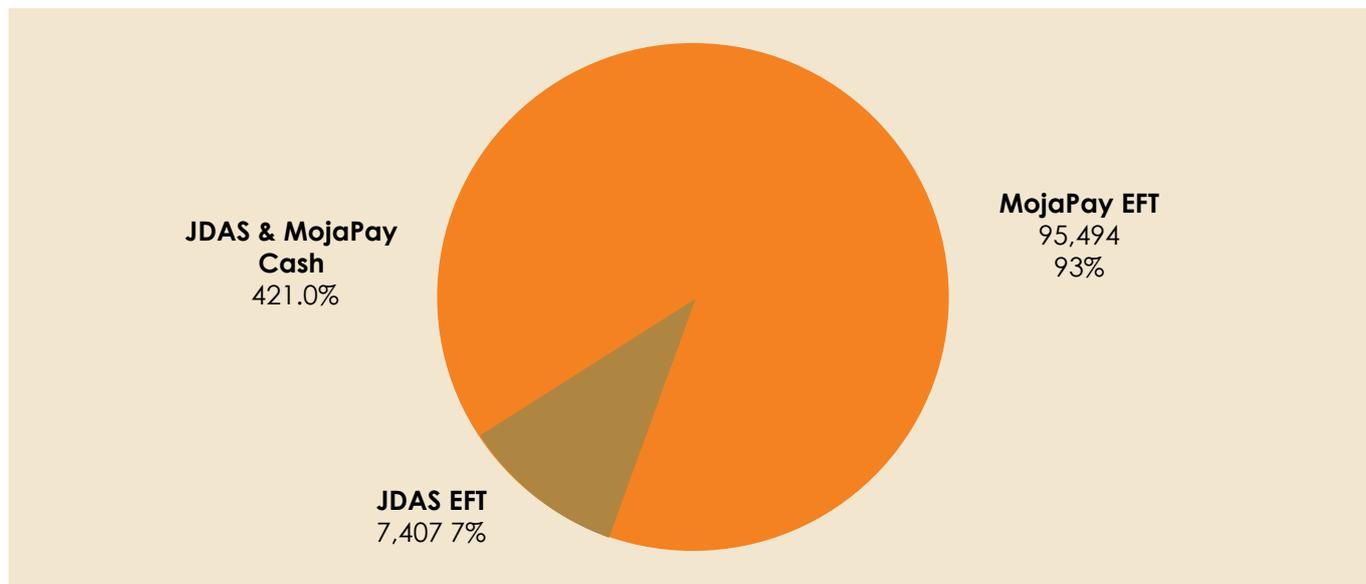
### a. Maintenance:

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

JAF only accounts for monies received and paid in this regard. Any unpaid monies 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 it by order of court and distributes these monies as speedily as possible after being received from defendants and/or their employers. The average turn-around time for such receipts and the payment thereof is 2 to 3 working days (including weekends and public holidays). This is only for EFT payments processed through MojaPay.

The graph below indicates the relationship of MojaPay EFT and cash payments versus legacy system EFT and cash payments made in respect of maintenance in respect of March 2021:



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

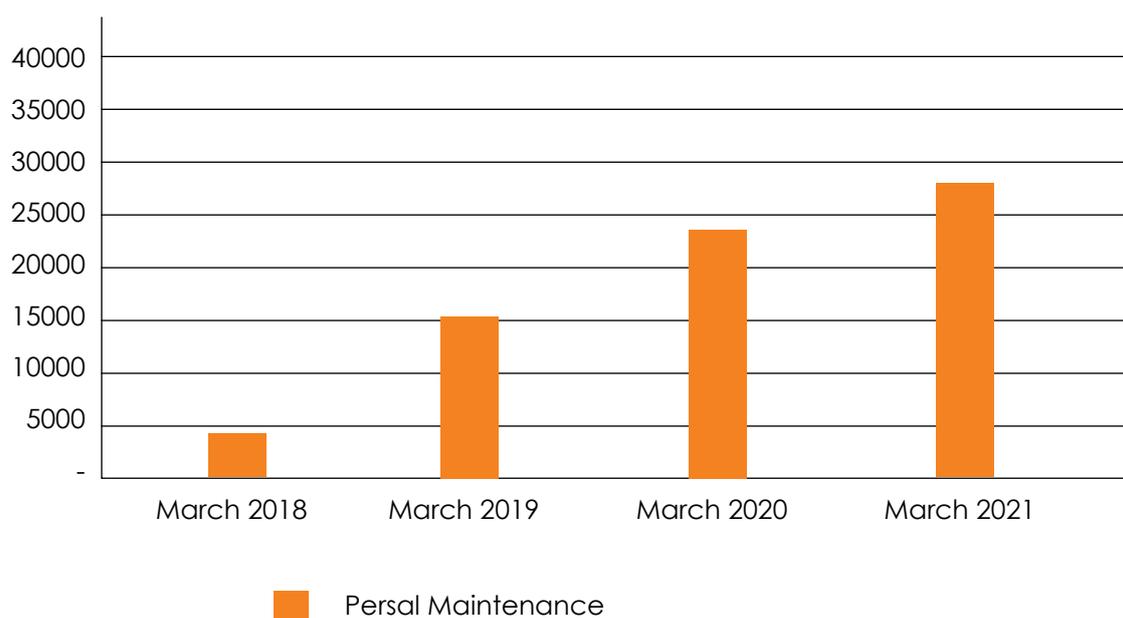
To eliminate or reduce the number of maintenance payments that flow through our courts and to ensure that beneficiaries have access to their monies in a shorter space of time, the Direct Payment initiative has been widely promoted. The process entails the obligor (whether an individual defendant or his/her employer) having to deposit monies directly to the bank account of the beneficiary. All regions are managing this project in consultation with the local Judiciary, whereby the bulk of new maintenance orders issued are direct payment orders (37 791 during the financial year under review) and where existing orders are reviewed and re-issued as direct payment orders (4 400 for the financial year under review). After objective assessment including risks by appointed maintenance officers and maintenance investigators, a recommendation for direct payments is presented to the judicial officer (magistrate) for approval and relevant court order. The success of this project has seen a significant reduction in the number of maintenance payments that must be dealt with by jaf and a reduction in the volume and value of the total turn-over of jaf monies.

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

REGION	NEW ORDERS: 19/20	NEW ORDERS: 20/21	CONVERTED ORDERS: 19/20	CONVERTED ORDERS: 20/21
Eastern Cape	4 766	7 098	1 652	954
Free State	6 016	5 289	3 319	1 774
Gauteng	15 826	5 089	1 161	161
Limpopo	9 449	6 879	2 323	688
Mpumalanga	5 588	3 551	1 672	64
Northern Cape	1 191	1 759	68	76
North West	4 558	2 425	33	14
KwaZulu-Natal	8 100	1 292	1 488	364
Western Cape	8 574	4 409	401	305

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

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



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 4 306 payments received for March 2021.

b. Bail:

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

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

c. Other payments into court:

These payments include, but are not limited to, payments sometimes referred to as civil payments, compensation fines or awards and in limited instances, payments in terms of Small Claims Court settlements or 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.

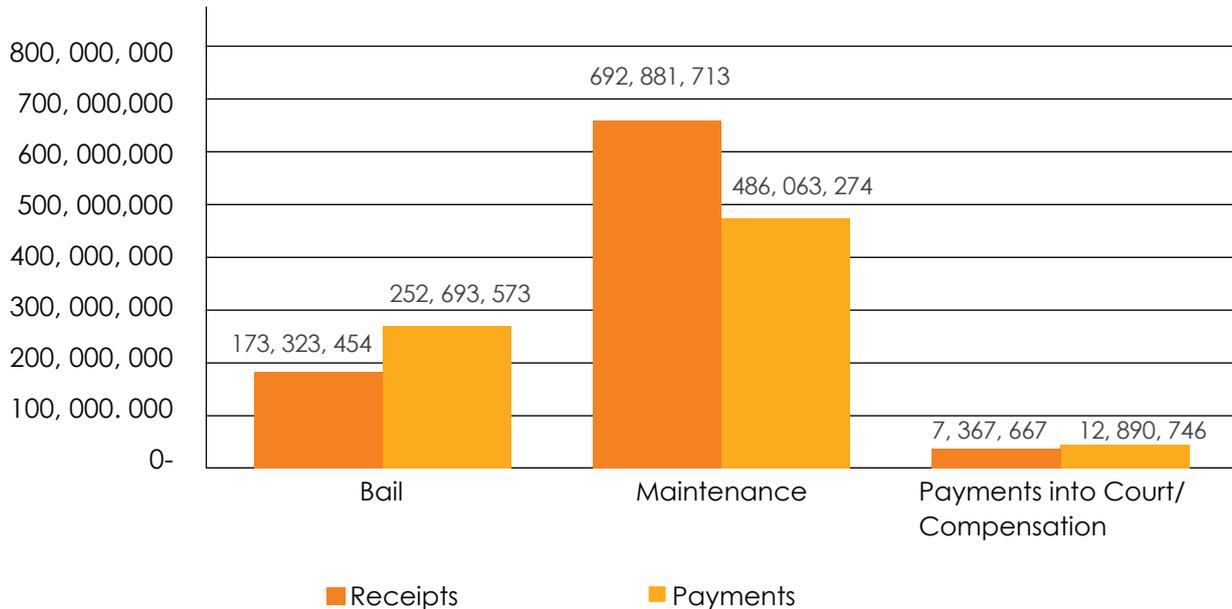
It is envisaged that closure of all remaining legacy system bank accounts and restricted access to the related JDAS databases will take place during the 2021/22 financial year. The Covid-19 pandemic has delayed the finalisation of this process during the 2020/21 financial year. As at 31 March 2021, 55 court-based legacy bank accounts were still active, compared to 101 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, during the financial year under review, to clear some of these balances and the net result of this is an increase from a R 2, 3 million asset to a R 5, 4 million asset. The remainder of the ring-fenced balances will be investigated further during the 2021/22 financial year.

b. MojaPay (SAP):

The Department has initiated MojaPay at all main courts as at 31 March 2021. The remaining 7 courts in the Western Cape were finalised during the period under review.

During the 2020/21 financial year, the following receipts and payments were recorded on MojaPay (in South African Rand):



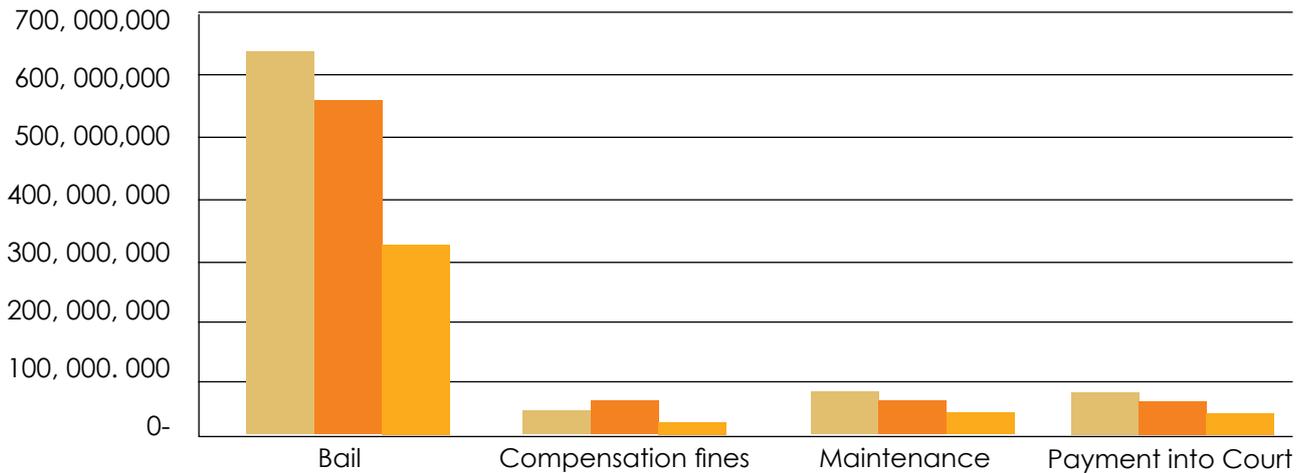
MojaPay is a near fully automated system, which eradicates the need for office level staff to perform monthly bank reconciliations and repetitive manual transactions on a daily, weekly and monthly basis.

The main reason for the extended implementation finalisation is due to the low quality of data available in the legacy system, the relevant supporting documentation as well as the time it takes to issue amended maintenance orders for the new service and payment channels. A further obstacle is the conversion of current maintenance orders to amended maintenance orders. The DoJ&CD does not always have the updated information regarding maintenance obligors and beneficiaries. In this regard, please take note that in some instances, certain maintenance cases were initiated more than twenty years ago. This was and is further delayed by the Covid-19 pandemic.

c. Management of unclaimed monies

Unclaimed monies from the legacy system have since 1 April 2014 been kept separate and as at 31 March 2020, the balance of these monies was R 61. 6 million. As at 31 March 2021, the balance of unclaimed monies was R 67, 9 million, consisting of the following (cumulative, in South African Rand):

### Unclaimed Monies



	2020 - 21	2019 - 20	2018 - 19
Bail	61 341 340	56 593 742	32 907 152
Compensation fines	566 655	462 343	365 524
Maintenance	2 123 287	1 904 399	1 446 914
Payment into Court	3 960 437	2 603 941	406 868

#### d. New payment methods:

The Department has piloted stand-alone Point-of-Sale (POS) systems at 25 courts across the Northern Cape, North West and the Free State during March 2021. It is envisaged that these devices will be rolled-out to a further 400 courts across all provinces during the current financial year. One hundred courts are targeted for the first quarter and 150 courts each for the second and third quarters of the 2021/22 financial year. This project has been initiated to make payments to JAF (including bail) by the public more convenient and it is envisaged that this will reduce cash handling at courts.

#### 4. Legislative reform:

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

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

#### 5. Tariff policy

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

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

## 6. Corporate governance arrangements

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

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

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

- a) Finance and Audit Committee
- b) HR and Ethics Committee
- c) Legislation Policy and Strategy Committee
- d) Integrated Planning Committee
- e) Information and Communication Technology Steering Committee
- f) Combined Assurance Committee

### Oversight Structures:

- g) Risk Management Committee
- h) Audit 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.

## 7. Approval

The Annual Financial Statements on pages 23 to 35 are hereby approved.



**ADV. D MASHABANE**

**Director-General:**

**DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT**

**31 JULY 2021**



REPORT OF THE  
AUDIT COMMITTEE  
ON THE JUSTICE  
ADMINISTERED  
FUND

# FINAL REPORT OF THE AUDIT COMMITTEE ON JUSTICE ADMINISTERED FUND

## 1. Report of the Audit Committee

We are pleased to present our final report for the financial year ended 31 March 2021

### 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	Numbers of meetings attended	Numbers of meetings attended	Status
Ms. Besky Ngunjiri (Chairperson)	6	2	Reappointed - 18 March 2021
Mr. Cedric Boltman	6	2	Reappointed - 18 March 2021
Mr. Freddy Sinthumule	4	2	Reappointed - 01 October 2021
Ms. Linda Meyer	6	2	Reappointed - 18 March 2021
Mr. Bheki Mkhabela	6	2	Reappointed - 18 March 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.

### 1.3 The effectiveness of internal control

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

The Audit Committee has also noted the improvements on the operational controls implemented which supports the preparation of financial Statements.

#### Internal audit

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

## 1.4 Reports

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

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

### 1.4.2 Evaluation of financial statements

We have reviewed and discussed the audited annual financial statements with management and also reviewed the Department's compliance with legal and regulatory provisions. 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 Ngunjiri**  
Chairperson of the Audit Committee

**Date: 17/ 08/ 2021**

AUDITOR-GENERAL'S  
REPORT TO PARLIAMENT  
YEAR ENDED  
31 MARCH 2021



# Report of the auditor-general to Parliament on Justice Administered Fund

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Justice Administered Fund set out on pages 21 to 35, which comprise the statement of financial position as at 31 March 2021 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 fund as at 31 March 2021 and cash flows for the year then ended in accordance with Standards of General Recognised Accounting Practice (Standards of GRAP).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of 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.

### Restatement of corresponding figures

7. As disclosed in note 9 to the financial statements, the corresponding figures for 31 March 2020 were restated as a result of an error in the financial statements of the fund at, and for the year ended, 31 March 2021.

## **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 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.

### **Performance Information reporting**

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**

#### **Introduction and scope**

13. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the fund's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
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. The other information I obtained prior to the date of this auditor's report is the accounting officer's report and the audit committee's report is expected to be made available to me after 31 July 2021.
19. If, based on the work performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.
20. When I do receive and read the audit committee's report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected, this will not be necessary

## Internal control deficiencies

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

*Auditor - General*

Pretoria

31 July 2021



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.

# ANNUAL FINANCIAL STATEMENTS 31 MARCH 2021



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# STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2021

		2021	2020
		R	R
<b>ASSETS</b>			
<b>Current Assets</b>			
Receivables from non-exchange transactions	3	9,943,687	13,552,695
Courts		9,943,687	13,552,695
Other financial assets and liabilities	7	5,392,754	2,283,895
Cash and cash equivalents	4	567,713,859	514,837,479
<b>TOTAL ASSETS</b>		<b>583,050,300</b>	<b>530,674,069</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables from non-exchange transactions	6	<b>583,050,300</b>	<b>530,674,069</b>
<b>TOTAL LIABILITIES</b>		<b>583,050,300</b>	<b>530,674,069</b>

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

		2021	2020 Restated
		R	R
<b>Net cash flow from operating activities</b>			
Receipts from third parties	5	991,193,132	1,237,584,470
Payments to third parties	5	(935,850,386)	(1,206,614,251)
Net movements in shortages as well as maintenance debtor and RD cheques		3,870,618	7,874,238
Net movement in consolidated cooperate accounts		462,681	(4,195,372)
Net interest received and bank charges		2,077,228	2,422,476
Other adjustments		(8,876,892)	1,124,130
Net (decrease) /increase in cash and cash equivalents		52,876,380	38,195,690
Cash and cash equivalents at the beginning of the year		514,837,479	476,641,788
<b>Cash and cash equivalents at the end of the year</b>		<b>567,713,859</b>	<b>514,837,479</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 1. General information

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

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

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

### Categories and nature of transactions

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

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

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

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

## 2. ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

In the absence of an issued and effective standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5, issued by the Accounting Standards Board (ASB).

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

## **2.2 Applicable standards of GRAP**

In the current year, the Fund has adopted all new and revised standards and interpretations issued by the ASB that are relevant to its operations and are effective. The adoption of these new and revised standards and interpretations has resulted in minor adjustments to the accounting policies. There may also be instances where the wording used in previous financial years was not consistent with the GRAP standards, which has now been corrected.

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

### **2.3.1 Financial instruments**

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

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

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

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

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

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

Cash and cash equivalents consist of cash on hand and at the bank at the reporting date. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash at bank is held with reputable banking institutions in the name of the Department of Justice and Constitutional Development 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.

### **2.3.3 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) and subsequently at cost plus any interest or fees associated with the receivable.

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

#### **2.3.3.1 Dishonoured cheques**

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

#### **2.3.3.2 Maintenance debtors**

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

#### **2.3.3.3 Shortage debtors**

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

#### **2.3.3.4 State institutions and other receivables**

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

### **2.3.4 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 for non-performance is not enforceable by law, or
- the transactions are executed in terms of legislation 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.

### **2.3.5 Other financial assets and liabilities**

Other financial assets and liabilities consist of ring-fenced balances. The purpose of ring-fencing balances is to isolate amounts that cannot be verified under cash and cash equivalents, payables and 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 the process of being cleared.

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

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

Fair presentation of the financial statements has been strengthened through this once-off ring-fencing, 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.

### **2.3.6 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. However, in order to achieve fair presentation, cash flows have been presented as originating from operating activities, to adhere to GRAP 1 (132). 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.

### **2.3.7 Related parties**

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

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

## 3. Receivables from non-exchange transactions

	2021	2020 Restated
	R	R
<b>Courts</b>		
Dishonoured cheques	361,847	396,275
Maintenance debtors	568,569	1,063,586
Shortage debtors	3,973,058	9,564,609
State institutions and other receivables	13,000	22,930
Vote: Receivable from the Department of Justice and Constitutional Development	5,027,212	2,505,295
<b>Total receivables from non-exchange transactions</b>	<b>9,943,687</b>	<b>13,552,695</b>

	Counter shortages	Maintenance overpayments	Dishonoured cheques	State Institutions	VOTE: Receivable from DoJ&CD	TOTAL
<b>0 to 6 months</b>	552 955	32 555	-	3 000	4 954 472	<b>5 542 982</b>
<b>7 to 12 months</b>	341 712	100	200 000	1 000	-	<b>542 812</b>
<b>13 to 24 months</b>	773 430	53 694	134 920	-	-	<b>962 044</b>
<b>25 to 36 months</b>	49 400	23 911	-	800	-	<b>74 111</b>
<b>37 to 60 months</b>	2 255 561	53 988	3 662	500	64 250	<b>2 377 961</b>
<b>61 months plus</b>	-	404 321	23 265	7 700	8 491	<b>443 777</b>
<b>Total Amount</b>	<b>3 973 058</b>	<b>568 569</b>	<b>361 847</b>	<b>13 000</b>	<b>5 027 213</b>	<b>9 943 687</b>

Receivables from non-exchange transactions are managed in terms of the Justice Administered Fund (JAF) Financial Instructions (JAFFI), paragraph 4, 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 a party cannot be identified after investigations have been concluded.

The amount above listed as receivable from DoJ&CD 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 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 has not yet been transferred to the JAF by the end of the reporting period.

#### 4. Cash and cash equivalents

	2021 R	2020 Restated R
Consolidated Bank Balance		
Balance as at 31 March	567,713,859	514,837,479
	<b>567,713,859</b>	<b>514,837,479</b>

#### 5. Classes of receipts and payments

##### Cash receipts from JAF transactions

- DoJ&CD Courts	991,193,132	1,237,584,470
	<b>991,193,132</b>	<b>1,237,584,470</b>

##### Cash payments from JAF transactions

- DoJ&CD Courts	(935,850,386)	(1,206,614,252)
	<b>(935,850,386)</b>	<b>(1,206,614,252)</b>

## 6. Payables - jaf

	2021 R	2020 Restated R
<b>Vote: Payable Corporate Account</b>	6,685,089	4,145,180
<b>Courts</b>		
Bail	458,693,960	402,471,134
Maintenance	106,051,979	92,491,232
Unclassified monies	5,034,939	21,968,212
Payments into court	6,543,233	9,574,261
Vote payable	41,100	24,050
	<b>583,050,300</b>	<b>530,674,069</b>

## 7. Other financial liabilities

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

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

	<b>As disclosed in 2019/2020</b>	<b>As disclosed in 2020/21</b>	<b>Movement</b>	<b>Nature of movement</b>
<b>Receivables</b>	<b>1,507,761</b>	<b>466,036</b>	<b>1,041,724</b>	
Courts	1,507,761	466,036	1,041,724	Clearing of invalid shortages, write-off by delegated authority and recovery of overpayments & debtors.
Cash and cash equivalents	7,043,032	5,986,950	1,056,082	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>(6,266,898)</b>	<b>(1,060,232)</b>	<b>(5,206,666)</b>	
Courts	(6,266,898)	(1,060,232)	(5,206,666)	Pay overs to beneficiary institutions, identified beneficiaries/depositors and clearing of beneficiary listings.
<b>Other financial liabilities</b>	<b>2,283,895</b>	<b>5,392,755</b>	<b>(3,108,859)</b>	

#### 8. Interest received and bank charges

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>Reststed</b>
	<b>R</b>	<b>R</b>
Bank charges	(10,038,768)	(21,073,100)
Interest received	12,115,995	23,495,576
	<b>2,077,228</b>	<b>2,422,476</b>

## 9. Restatement of prior period errors

The financial statements position for 31 March 2020 were restated to correct the error. An error was made by including the corporate account balance in the maintenance balance. This resulted in the maintenance balance being overstated and the corporate account balance being understated by the same amount. This however does not understate or overstate the total payable balance. The total payable balance in the statement of financial position is not affected.

### Statement of financial position

	As disclosed in 2018/19	Prior period error for the financial year 2018/19	Restatement balance	As disclosed in 2019/20	Prior period error for the financial year 2019/20	Restatement balance
Payables						
Vote: Payable corporate account	2,048,848	-	2,048,848	275,951	3,869,229	4,145,180
Maintenance	76,888,970	-	76,888,970	96,367,461	(3,869,229)	92,491,232

### Cash flow statements

#### interest received & bank charges

Bank charges	(34,366,881)	-	(34,366,881)	(34,172,349)	(17,099,249)	(21,073,100)
interest received	29,869,678	-	29,869,678	40,594,825	17,099,249	23,495,576

### Net movement in unclaimed bank balance

The Fund has previously included the unclaimed net movement as part of the cash flow which does not meet the definition of the Fund's inflows and outflows. The unclaimed movement is now excluded. The effect of this change on the current period is shown below:

Unclaimed Net Movement	15,983,623	15,983,623	-	26,437,967	26,437,967	-
Payments to third parties	(1,770,594,262)	15,983,623	(1,754,610,639)	(1,233,052,218)	26,437,967	(1,206,614,251)

## 10. Going concern

The Justice Administered Fund continues to act as an agent of the Department of Justice and Constitutional Development and the Department will continue to support it in these operations. Therefore, these financial statements have been prepared based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of its operations.

## 11. 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.

## 12. Related party transactions

### Name of related party:

**Department of Justice and Constitutional Development.**

### Relationship:

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

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

	<b>2021</b>	<b>2020</b>
	<b>R</b>	<b>Restated</b>
		<b>R</b>
<b>Total administration costs (salaries) disclosed as:</b>	<b>4,846,023</b>	<b>4,771,959</b>
Office of the CFO	4,846,023	4,771,959
<b>Key personnel costs disclosed as:</b>	<b>4,846,023</b>	<b>4,771,959</b>
Level 15 - Chief Financial Officer (1)	1,918,664	1,765,801
Level 14 - Chief Director (1)	1,577,259	1,661,631
Level 13 - Directors (1)	1,350,120	1,344,527

## 13. 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:

### 13.1 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

### 13.2 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.

### 13.3 Compliance risk

Compliance risk is defined as the risk of legal sanctions, material financial loss, or loss to reputation the Fund may suffer as a 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.

## 14. Effect of legislation change

The Justice Administered Fund Act, 2017 (Act 2 of 2017) was assented to on 6 April 2017 and implemented on 1 April 2018. The effect of the Act was that, as from 1 April 2018, agency collected monies not included in the Act, but previously reported on as part of the TPF (Third Party Funds) financial statements, is solely reported on in the Vote financial statements of the 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**

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