



## the **doj & cd**

Department:
Justice and Constitutional Development
REPUBLIC OF SOUTH AFRICA









1.	Report by the Accounting Officer	6
2.	Report of the Audit Committee	16
3.	Report of the Auditor-General to Parliament	19
4.	Statement of Financial Position (SPO)	25
5.	Statement of Cash Flows	26
6.	Notes to the financial statements (General information and accounting policies)	27

# REPORT BY THE ACCOUNTING OFFICER TO THE EXECUTIVE AUTHORITY AND PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA ON THE ANNUAL FINANCIAL STATEMENTS FOR THIRD PARTY FUNDS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

## 1. GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

#### 1.1 BACKGROUND

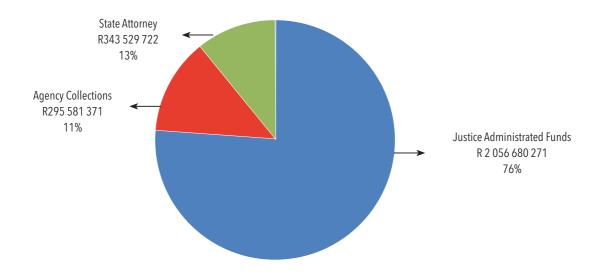
The Department of Justice and Constitutional Development (DoJ&CD) administers funds on behalf of third parties. The purpose of Third Party Funds (TPF) is to manage the maintenance of beneficiary monies (local, foreign and future), collect fines on behalf of government institutions (national, provincial, local and other authorities), the safe-keeping of bail monies on behalf of accused persons, the safe-keeping of payments into court, the

safe-keeping of other monies at the State Attorney as ordered by a court (such as monies with regard to Provisional Asset Forfeiture, and settlements of court action where a government institution is concerned), the collection of debts and cost orders on behalf of government institutions through the State Attorney, as well as monies related to conveyance matters which the State Attorney deals with on behalf of government institutions.

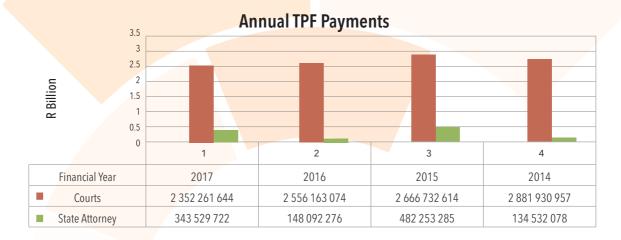
The high volume and value of payment and receipt transactions (to the value of R 5.3 billion on an annual basis) are processed through TPF through 583 bank accounts as at 31 March 2017.

The following table reflects the total departmental payments for 2016/17 with regard to the various TPF portfolios for various beneficiaries (individuals, government departments, etc.):

#### THIRD PARTY FUNDS PAYMENTS



The following table indicates the trend of TPF payments for the past four financial years:



The Justice Deposit Account System (JDAS) and the State Attorney System (SAS), utilised for the administration of TPF, were designed as case administration systems with payments and receipts recording functionality, but not as financial accounting systems with the prescribed accounting and financial reporting capabilities called for in terms of current governance requirements. Transactions are recorded at Court and State Attorney level on JDAS and SAS, and then bulk payments are made to the Department's Vote account to be recorded on BAS as departmental revenue where relevant, while individual payments to local and other authorities, to maintenance beneficiaries as well as State Attorney clients, are made as per orders issued by the courts, or as per legal agreements within the TPF environment.

The inadequacy of systems to cope with the management of TPF has had the following significant impact in the past:

- Non-reporting and incomplete reporting on the management of resources of the most vulnerable groups in our communities, i.e. mostly people with no bank accounts, or those who prefer cash pay-outs at courts and receive cash payments at courts on a monthly basis;
- b) An inability to prepare financial statements for TPF in the past and resultant audit qualification

- of the Department's Vote account as a result of limitations involved in determining revenue due to the National Revenue Fund (NRF);
- Poor service delivery: extended timelines for effecting payment from the day of receipt; and
- d) Recorded losses, including overpayments and dishonoured cheques.

In the context of the challenges above, the Department initiated the following Transformation Plan for TPF that has been implemented over the past four financial years:

- a) Utilising public sector resources (personnel, systems and processes) in the management and operation of TPF;
- Ensuring value for money appropriated by parliament for executing their function;
- Subscribing to departmental strategic objectives for enhanced access to justice services and improved quality of service;
- Partnerships with the banking sector, public entities and the private sector with a proven capacity in cash management and cash transfer;
- e) Compliance with legislative prescripts in relation to the management, control and reporting on TPF;

- Subscription to Batho Pele Principles in relation to service execution to beneficiaries;
- g) Effective communication to beneficiaries with regard to the details of the frequency and quality of service;
- h) Encouraging direct payments between beneficiaries and obligors (defendants) through the banking system; and
- i) Encouraging departments, agencies and local authorities to start taking responsibility for their own revenue that was previously held by courts.

statements. This resulted in an improved audit opinion (from disclaimed to qualified).

During the financial year under review, the Department focussed on clearing older balances with regard to TPF, as well as implementing its new accounting system, MojaPay.

The department is proud of the result and impact on the audit opinion for the 2016/17 financial year. The audit qualification is based on the comparable figures of the previous year whereas the opinion on the 2016/17 financial year information is unqualified.

#### 1.2 BASELINE FINANCIAL REPORTING OF TPF

The Department has submitted Annual Financial Statements (AFS) for TPF for the previous financial years. These annual financial statements received a disclaimer of opinion from the Auditor-General due to the challenge involved in working with unsubstantiated historical financial information, the problem of unsubstantiated opening balances, the amalgamation of various previous administrations in 1994, IT System limitations and other reasons alluded to in the reports produced by the Auditor-General.

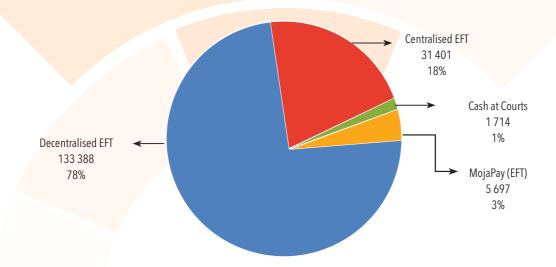
Despite the negative audit outcomes, the submission of these financial statements heralded a new era in TPF management. The Department was able to determine the extent of financial shortages, shortcomings in financial administration, and the inherent management and control weaknesses within the TPF environment, and this information was then utilised to identify and implement the required interventions. In the previous financial year (2015/16) the focus was on the revision of accounting policies and disclosure in the financial

#### 1.3 BUSINESS PROCESS REVIEW

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

- a) Reviewed policy and procedures, also with the view to implement new Standard Operating Procedures linked to the new technological system being implemented. The new system has been named "MojaPay" due to the fact that it will be a "smart" system. Moja means 'everything is in order' or 'everything is fine'. This is further discussed under paragraph 2(b).
- Standardised and mapped processes, including audit trails, daily reconciliations and operational performance indicators, ensuring adequate segregation of duty; and
- c) Notes that the decentralised EFT payment system introduced in courts in 2012 continues to reduce cycle times.

The graph below indicates the number of MojaPay EFT payments versus centralised EFT payments, localised EFT payments and cash payments made with regard to maintenance for March 2017:



In essence, 99% of maintenance beneficiaries are now 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 the lack of access to banking facilities in rural communities, high withdrawal costs, and the convenient location of courts versus the inconvenient locations of banks.

#### 1.4 LEGISLATIVE REVIEW

The Justice Administrated Fund Act was assented to on 6 April 2017. The Department has requested that the implementation date be held in abeyance until 1 April 2018, as Regulations may still have to be developed, in addition to the fact that the Act was assented to after the start of the new financial year.

The effect of the Act will be that, as from 1 April 2018, monies that are not included in the Act, but currently reported on as part of the TPF financial statements, will be solely reported on in the Vote financial statements of the DoJ&CD, while monies received and paid with respect to maintenance, bail, compensation fines and payments into court, will be reported on in the financial statements of

the JAF (Justice Administrated Fund). The process to "un-bundle" the reporting for the JAF monies and the Vote monies is complex, and can only be fully achieved in conjunction with the roll-out of MojaPay. The split of these funds was catered for in the development of MojaPay. MojaPay has three (3) distinct reporting areas, namely JAF monies, Fines, and State Attorney monies.

National Treasury has previously indicated that once the Act is enacted, it may declare the JAF a public entity. National Treasury will, during the 2017/18 financial year, be consulted regarding certain exemptions from the Public Finance Management Act, 1999 (Act 1 of 1999, as amended), and the National Treasury Regulations due to the specific inherent nature of the activities of JAF, and implications including the cost of compliance as it relates to public entities.

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

Other than the legislative process mentioned above, the following strategic decisions for implementation

over the medium-term are currently being considered, or are in the process of implementation:

a) Reduction in the number of bank accounts utilised to administer TPF, and centralising certain accounting functions given the technical capabilities of the new integrated system being implemented.

The DoJ&CD received formal approval from the National Treasury to open seventy six (76) new bank accounts with ABSA, FNB, Nedbank and Standard Bank, which will reduce the existing 507 by 431 (excluding the 76 MojaPay accounts). This was done to enable the DoJ&CD to improve internal control and administer TPF through a reduced number of bank accounts. These accounts are currently in operation and are linked to the new system discussed below. The number of accounts opened was necessary to ensure that deposits to TPF by obligors and deposits of cash collected by courts and State Attorney Offices are possible through all these banks per product type (maintenance, bail, fines, etc.), and that payment to beneficiaries can be made through all the mentioned banks.

The legacy bank accounts will be closed in due course, as soon as each TPF site has been fully migrated and converted to the new operational model and system. All the new bank accounts are fully masked, and account numbers will not be visible to members of the public or departmental staff members at Courts and State Attorney Offices.

b) Development, configuration and piloting of a new financial accounting and administration system for the management of TPF. During November 2014, the Department procured a SAP-based commercial off-the-shelf programme that was reconfigured to align with the newly designed Standard Operating Procedures, whilst addressing the need for improved financial administration and accounting. The analysis and design phases of the new system were finalised on 31 March

2015, and the system and was configured and thoroughly tested during the 2015/16 financial year. Various banking payment channels (EFT, in-branch deposits and ATM deposits) were also tested with First National Bank, Nedbank and Standard Bank during the financial year, whilst the other major banks were only available for testing after the financial year. Standard Operation Procedures (SOPS) and training material with regard to MojaPay were also developed and tested. The pilot phase officially ended on 31 July 2016.

During the financial year under review (after the end of the pilot phase), the Department implemented MojaPay in all courts in the Northern Cape (37), all courts in the North West (32), two courts in Gauteng and 30 courts in the Free State, as well in all State Attorney Offices (12). The total number of offices operating on MojaPay, including the National Office and the relevant Regional Offices (4), as at 31 March 2017 is thus a total of 118. It is envisaged that the Department will implement MojaPay in the remainder of the courts in the remaining provinces by 31 March 2019.

Before MojaPay is implemented in a Departmental Office, each official at the office must complete a two week training course after which said officials must complete a competency test. The DoJ&CD has taken the approach that, should an employee not pass the competency test, such an employee will not be allowed to operate MojaPay. This will continue to be the case until they have been re-trained and re-assessed and found competent. As part of the training exercise, the National Office of the Department provides a two week train-the-trainer course before the relevant province/region engages in further end-user training.

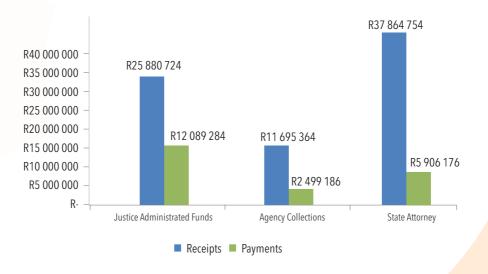
During the period under review, the DoJ&CD has trained 588 officials on MojaPay as per the following statistics, which includes train-the-trainer training:

Northern Cape: 181 Free State: 141 North West: 166 State Attorneys: 100

The major stumbling block in this regard remains contacting the maintenance obligors and beneficiaries in order to amend existing maintenance orders. In this respect it must be mentioned that the DoJ&CD is seemingly a

victim of its own success, in that beneficiaries no longer come to courts to collect their maintenance monies in cash as a result of the EFT project, and their contact details are thus out-dated. In order to alleviate this situation, the DoJ&CD has embarked on a media campaign (at a national, regional and community level), through both printed media and through radio interviews, requesting maintenance obligors and beneficiaries to update their details at courts or via e-mail.

#### During the financial year, the following payments and receipts were recorded on MojaPay:



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

The main reason for the extended implementation finalisation is due to the low quality of data available in the legacy system, that needs to be cleansed, verified and supported by relevant documentation, as well as the time it takes to issue amended maintenance orders for the new service channels. A further obstacle is the conversion of current maintenance orders to amended maintenance orders. As mentioned

previously, the DoJ&CD does not always have up to date information regarding maintenance obligors and beneficiaries. The pilot phase of this project has proven that tracing these role-players to inform them, inter alia, of the new payment arrangement is a major impediment to project success.

The Department has also found that employers, or their payroll administrators, who deduct maintenance from the salaries of their employees and pay these to the DoJ&CD, often have to make major programming changes to their payroll software to enable the payment of these deductions to the Department to go through seamlessly. The DoJ&CD is in process

of negotiating with all major employers in this regard. As far as this is concerned, it must be mentioned that the DoJ&CD has successfully finalised negotiations with National Treasury (who maintains the PERSAL payroll system), and it is envisaged that the majority of maintenance deductions with regard to government employees (national and provincial), will be converted to MojaPay within the 2017/18 financial year.

#### c) Data validation and credibility.

Through the dedicated efforts of TPF staff throughout the Department, but specifically those attached to National and Regional Offices, and with the cooperation of the Department's Information Systems Management branch (ISM) and State Information Technology Agency (SITA), the Department continues to address data, system and reporting errors on the legacy administrative systems during the financial year. These efforts during the year under review have, as far as courts are concerned, led to improved quality of financial reporting.

#### d) Data migration.

The major obstacle in the deployment of the new system is data migration. The most important part of this exercise is to ensure that MojaPay is not contaminated with any incomplete and/ or incorrect information, and to ensure, from the onset, that any data transferred (non-financial and financial) is correct at the time of conversion/migration.

e) Ring-fencing and writing-off of historical shortages and losses.

When offices are being migrated to MojaPay, the Department will ensure that only validated non-financial and financial information is recorded.

The DoJ&CD has, for the final six months of the 2015/16 financial year, launched and completed a ring-fencing exercise. The purpose of this exercise was to ring-fence balances that cannot be verified under cash and cash equivalents, payables and statutory receivables based on historical limitations of the legacy systems.

The various limitations placed on reporting data is inter alia due to the shortcomings of JDAS and SAS 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. The DoJ&CD has managed, during the financial year under review, to clear R 30 million of these balances, from R46 million to R16 million. The remainder of the ring-fenced balances will be investigated further.

Promote direct maintenance payments between obligors and beneficiaries. 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, this initiative has been widely promoted. The process entails the obligor (whether an individual defendant or his/her employer) having to deposit monies directly to the bank account of the beneficiary. After consultation with the Chairperson of the Magistrates' Commission, all regions have initiated projects, in consultation with the local Judiciary, whereby the bulk of new maintenance orders issued are direct payment orders, and where existing orders are reviewed and re-issued as direct payment orders. 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 the relevant court order.

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

Since the initiation of the project in 2013/14, the Department succeeded in issuing 140 698 new orders as direct payments, and converted 64 658 of the orders to direct payments.

#### Other important matters

#### g) New National Treasury directives on TPF

National Treasury made two significant directives. The first being that State Attorney monies and all categories of fines (excluding compensation fines), should be reported as part of the Vote account of the Department, as these are viewed as government monies (as the final beneficiaries of these monies are government departments or institutions). The second directive relates to the ruling by National Treasury regarding the retention period related to unclaimed monies that it should be kept by the Department for 30 years before being paid to the National Revenue Fund (NRF), after a legal opinion in this regard was obtained from the Office of the Chief State Law Advisor

The Department has implemented the directive on the retention of unclaimed monies for 30 years. To this end, and to manage the risk associated with retaining the monies for such a long period, the DoJ&CD has opened masked unclaimed monies bank accounts into which such monies are transferred. It is important to note that no monies are transferred to these accounts without the necessary supporting documentation. As at 31 March 2017, the total of these accounts stands at R9, 546, 313.

Please also take note that MojaPay has been configured so as to separately report on the different type of monies, i.e. separate reporting entities have been created for traditional TPF monies (maintenance, bail, payments into court and compensation fines), fines (court and admission of guilt fines) and State Attorney monies (debt collection, conveyancing and provisional asset forfeiture).

## 3. SERVICES RENDERED BY THIRD PARTY FUNDS

#### Tariff policy

No fees are charged for the services rendered with regard to TPF, in particular for the maintenance paid to the most vulnerable in society.

However, a 10% commission (to a maximum of R 369) is levied with regard to debt collection payments received by offices of the State Attorney on behalf of government departments. The commission is paid over to the National Revenue Fund through the DoJ&CD Vote account. This commission is collected in terms of section 65J of the Magistrates' Court Act (Act 32 of 1944), as amended.

In addition, TPF utilises all interest earned with regard to amounts kept in its bank accounts to offset bank charges.

## 4. CORPORATE GOVERNANCE ARRANGEMENTS

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

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

To enable the Accounting Officer and EXCO to discharge their responsibilities and duties, certain

responsibilities have been delegated to the following sub-committees:

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

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

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

All 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.

In addition, during 2015/16, EXCO established a TPF oversight committee to directly oversee the TPF interventions and to advise Fincom on policy adjustments that were required.

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 progress in terms of the implementation of the Fraud Prevention Plan and the Whistle Blowing Policy.

#### 5. APPROVAL

The Annual Financial Statements set out on pages 25 to 38 have been approved by the Accounting Officer.



MR V. MADONSELA

DIRECTOR GENERAL: DEPARTMENT OF JUSTICE AND CONSTITUTIONAL DEVELOPMENT

31 JULY 2017



# REPORT OF THE AUDIT COMMITTEE ON THIRD PARTY FUNDS

#### 1. REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2017.

#### 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, four meetings and three special meetings were held as indicated below.

Name of members	Numbers of meetings attended	Number of special meetings attended	Status
Mr. Motsamai Karedi (Chairperson)	4	3	Reappointed - 25 November 2015
Mr. Cedric Boltman	4	3	Reappointed -25 November 2015
Ms. Besky Ngunjiri	4	1	Reappointed - March 2015
Mr. Wilson Ramabulana	4	3	Reappointed - 25 November 2015
Mr Andrew Sello	4	3	Reappointed - 25 November 2015

#### 1.2 AUDIT COMMITTEE RESPONSIBILITY

We report that the Audit Committee has complied with its responsibilities arising from Section 38 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as outlined in the Audit Committee Charter. The Charter regulates its affairs and the Audit Committee has discharged all its responsibilities as contained therein.

#### 1.3 THE EFFECTIVENESS OF INTERNAL CONTROL

The Audit Committee is satisfied that key controls remained in place throughout the year under review and where shortcomings in the internal controls were identified during prior years and the year under review, management addressed them through implementation of audit action plans. Internal Audit validated the audit action plans and the Audit Committee reviewed same to ensure effective implementation by management.

Despite the less favorable audit outcome, the Audit Committee has noted an improvement in the administration of the Third Party Funds as reflected in the audit outcome in that challenges which were experienced during prior years appear to be under control.

#### 1.4 INTERNAL AUDIT

The Department of Justice and Constitutional Development's Internal Audit Unit is also responsible for the auditing of the Third Party Funds.

The Internal Audit unit has provided the Audit Committee and management with objective assurance and advice on the effectiveness of the controls. We are satisfied that Internal Audit has discharged its responsibilities as per the internal Audit plan informed by the risk assessment.

#### 1.5 AUDITOR-GENERAL SOUTH AFRICA

The Audit committee accepts and concurs with the qualified audit opinion of the AGSA on the Annual Financial Statements of Third Party Funds for the year ended 31 March 2017.

#### 1.6 REPORTS

## 1.6.1 THE QUALITY OF IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORTS SUBMITTED

Although there are areas of improvement, we were satisfied with the content and quality of monthly and quarterly reports prepared by the Accounting Officer of the Department during the year under review.

#### 1.6.2 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 final management report and the audit report and also management's responses. We are satisfied with management's responses and have urged them to prioritize the implementation of corrective measures to ensure that the reported shortcomings do not recur.

M Karedi

Chairperson of the Audit Committee

Date: 31 July 2017



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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### **QUALIFIED OPINION**

- 1. I have audited the financial statements of the Third Party Funds set out on pages 25 to 38, which comprise the statement of financial position as at 31 March 2017, and the statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
- 2. In my opinion, except for the possible effects of the matter described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Third Party Funds as at 31 March 2017, and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice.

#### **BASIS FOR QUALIFIED OPINION**

#### **CORRESPONDING FIGURES**

3. During 2016, I was unable to obtain sufficient, appropriate audit evidence for other financial liabilities, as disclosed in note 7 to the financial statements stated at R46 637 530, as well as other adjustments on the statement of cash flows stated at R65 400 430. I was also unable to confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the other financial liabilities on the statement of financial position

or the other adjustments on the statement of cash flows. My audit opinion on the financial statements for the period ended 31 March 2016 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of these amounts for the current period.

- 4. 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.
- 5. I am independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
- 6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## RESPONSIBILITIES OF THE ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

7. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of Generally Recognised Accounting Practice

(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.

8. 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 there is an intention either to liquidate the Fund or to cease operations, or there is no realistic alternative but to do so.

## AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

- 9. 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
- 10. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

## REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

11. The Fund is not required to prepare a report on its performance against predetermined

objectives as it does not fall within the ambit of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and there is no entity-specific legislation that requires the reporting on performance against predetermined objectives.

## REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

#### INTRODUCTION AND SCOPE

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No.25 of 2004 (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the Fund with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance. I did not identify any instances of material non-compliance with specific matters and key legislation, as set out in the general notice issued in terms of the PAA.

#### OTHER INFORMATION

- 13. The Fund's accounting officer is responsible for the other information. The other information does not include the financial statements and the auditor's report thereon.
- 14. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
- 15. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements presented in the annual report,

or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have 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.

of the Fund.

#### FINANCIAL MANAGEMENT

18. Management did not adequately implement proper record keeping in prior years to ensure that complete, relevant and accurate information was accessible and available to support financial reporting.

#### INTERNAL CONTROL DEFICIENCIES

16. I considered internal control relevant to my audit of the financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion included in this report.

Auditor-General

Pretoria

31 July 2017

#### **LEADERSHIP**

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



Auditing to build public confidence

## ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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 the procedures performed on reported performance information 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 the auditor's report, I also:
- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
- conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a

- material uncertainty exists related to events or conditions that may cast significant doubt on the Third Party Funds' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a Fund to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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



INDEX	PAGE
Statement of Financial Position	25
Statement of Cash Flows	26
Notes to the Financial Statements	27 - 38

#### STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2017

		2017	2016
			Restated
		R	R
ASSETS			
Current Assets			
Statutory Receivables	3	31,606,574	28,749,732
Courts		31,605,147	28,146,261
State Attorney		1,427	-
Department of Justice and Constitutional Development		-	603,471
Cash and cash equivalents	4	805,972,165	831,895,040
TOTAL ASSETS		837,578,739	860,644,772
LIABILITIES			
Current Liabilities			
Payables - Third Party Fund Payables	6	821,237,471	814,007,242
Other Financial Liabilities	7	16,341,268	46,637,530
TOTAL LIABILITIES		837,578,739	860,644,772

#### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

		2017	2016 Restated
		R	R
Net cash flow from administration activities			
Receipts from third parties	5	2 638,860,793	3 003,210,246
Payments to third parties	5	(2 695,791,364)	(2 704,255,350)
Net movements in shortages as well as maintenance debtor and RD cheques		19,989,246	7,438,601
Net movement in system reconciliation		(39,462)	(44,482)
Net movement in consolidated national bank balance		1,509	8,731
Net interest received and bank charges		16,961,529	95,965
Net movement in unclaimed bank balance		7,767,853	1,789,547
Other Adjustments		(13,672,979)	(65,400,430)
Net (decrease)/increase in cash and cash equivalents		(25,922,875)	242,842,828
Cash and cash equivalents at the beginning of the year		831,895,040	589,052,212
Cash and cash equivalents at the end of the year		805,972,165	831,895,040

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### 1. GENERAL INFORMATION

The primary function of Third Party Funds is the administration of the categories of transactions, stated below, on behalf of third parties by:

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

The legal identity of Third Party Funds (TPF) has not been defined, but remains a vital administrative function within the Department of Justice and Constitutional Development (DOJ&CD) to deliver on the mandate to provide access to justice for all through improved service delivery. Please refer to note 11 for an explanation of the agency's relationship.

#### CATEGORIES AND NATURE OF TRANSACTIONS

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

Bail: Where an accused is granted bail by a judicial officer or a duly authorised official. These funds are retained until a court authorises the return of the funds to the depositor upon completion of the case if the bail conditions have been met, or they are

forfeited to the state as a court fine, or they are paid over to the National Revenue Fund when the monies remain unclaimed for a period of longer than twelve months after it has been authorised that it is to be repaid to the depositor.

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

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

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

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

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

Payments into Court: Civil action where an offer of settlement in a plaintiff's claim is made. These security payments may, in certain cases, be made without a court order, where a defendant pays into court an amount, without prejudice, as an offer of settlement in a plaintiff's claim in a civil case, pending acceptance by the plaintiff. Unclaimed payments are paid over to the National Revenue Fund when the monies remain unclaimed for a

period of longer than thirty-nine months after it has been authorised that it is to be repaid to the depositor.

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

#### 2. ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except where stated otherwise, in accordance with Standards of Generally Recognised Accounting Practice (GRAP). These Standards of GRAP have been applied as required by paragraph 46 of Government Gazette 40515 of 23 December 2016. The Government Gazette specifies that where applicable legislation is not prescriptive in terms of the financial statements, entities are required to prepare financial statements in accordance with GRAP.

These financial statements are presented in South African Rand.

In the absence of an issued and effective Standard of

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

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

#### 2.2 APPLICABLE STANDARDS OF GRAP

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

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

GRAP 108 - Statutory Receivables. TPF formulated an accounting policy using the principles of the Standard to account for Receivables and Payables.

The Fund has not adopted any other GRAP standard that is not yet effective, but has based its accounting policies on such standards. At the date of submission of these financial statements for the year ended 31 March 2017, the following standards had been issued, but were not yet effective:

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

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.3.1 FINANCIAL INSTRUMENTS

Financial instruments of the TPF only comprise of 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 TPF 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. TPF would assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit.

TPF would derecognise a financial instrument only when:

- The contractual rights to the cash flows from the financial asset expire, are settled, or waived;
- Substantially all of the risks and rewards of the financial instrument are transferred to another party; or
- In the case of a financial asset, TPF 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 the bank is held with reputable banking institutions in the name of the Department of Justice and Constitutional Development. Cash equivalents include cash received on behalf of TPF by other government institutions mandated to receive such monies, which is still in transit. The balance of cash and cash equivalents accrues to third parties. Refer to payables note below.

#### 2.3.3 STATUTORY RECEIVABLES

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

Statutory receivables are derecognised when the TPF receives the amounts owing, or when amounts are written off through DoJ&CD Vote funding when irrecoverable.

#### 2.3.3.1 DISHONOURED CHEQUES

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

#### 2.3.3.2 MAINTENANCE DEBTORS

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

#### 2.3.3.3 SHORTAGE DEBTORS

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

## 2.3.3.4 STATE INSTITUTIONS AND OTHER RECEIVABLES

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

#### 2.3.4 PAYABLES

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

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

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

Payables are subsequently measured at cost, less payments made.

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

#### 2.3.5 OTHER FINANCIAL LIABILITIES

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

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

Balances transferred from ring-fenced assets and liabilities are offset. Management feels that this is appropriate, as the net balance would represent the actual unknown amounts.

Ring-fenced balances are recognised at the carrying amounts of cash and cash equivalents, statutory receivables and payables at date of transfer to the ring-fenced balance. This account is subsequently carried at this cost until valid payments or receipts are made to clear the balances.

Once management has fully investigated the balances, and no explanation or support can be found for the balances, these amounts will be written off to surplus and deficit, or derecognised.

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

#### 2.3.6 STATEMENT OF CASH FLOWS

The statement of cash flows does not present cash flows from operating, investing or financing activities as funds collected from, or distributed to,

thirds parties do not accrue to Third Party Funds due to the nature of Third Party Funds' operations. However, in order to achieve fair presentation, cash flows from administration activities have been presented.

#### 2.3.7 COMPARATIVE FIGURES

As stated in note 13, comparative figures have been restated to afford a proper and more meaningful comparison of results, as set out in the affected notes to the financial statements.

#### 2.3.8 RELATED PARTIES

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

#### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

#### 3. STATUTORY RECEIVABLES

	2017	2016 Restated
	R	R
Courts		
Dishonoured cheques	171,519	190,874
Maintenance debtors	2,808,837	2,370,627
Shortage debtors	18,948,266	25,584,760
State Institutions and Other Receivables	39,220	-
Vote: Receivable from the Department of Justice and Constitutional Development	9,637,305	-
State Attorney		
State Attorney Receivable	1,427	-
Receivable from the Department of Justice and Constitutional Development	-	603,471
Total Statutory Receivables	31,606,574	28,749,732

	Counter shortages	Maintenance overpayments	Dishonoured cheques	State Institutions	State Attorney	VOTE: Receivable from DoJ	TOTAL
0 to 6 months	3 180 000	166 400	1 170	17 160	1 427	9 637 305	13 003 462
7 to 12 months	724 487	106 285	3 100	2 650	-	-	836 522
13 to 24 months	3 353 437	242 701	1 350	5 000	-	-	3 602 488
25 to 36 months	1 468 856	213 631	5 790	3 310	-	-	1 691 587
37 to 60 months	5 492 967	333 350	-200	-	-	-	5 826 117
61 months plus	4 728 519	1 746 470	160 309	11 100	-	-	6 646 398
Total Amount	18 948 266	2 808 837	171 519	39 220	1 427	9 637 305	31 606 574

4. CASH AND CASH EQUIVALENTS	2017	2016 Restated
	R	R
Cash and cash equivalents consist of:		
Conso <mark>lidated Corporate Account Balance</mark>	18,832,368	2,625,498
Consolidated Court Balance	319,454,626	347,480,607
Consolidated State Attorney Balance	<mark>425,046</mark> ,776	479,975,827
MojaPay Pilot Offices	33,092,082	23,561
Unclaimed Funds	9,546,313	1,789,547
Balance as at 31 March	805,972,165	831,895,040
Cash receipts from third party transactions - DoJ&CD Courts - State Attorney	2 291,385,619 347,475,174	2 553,593,074 449,617,172
	2 638,860,793	3 003,210,246
Cash payments from third party transactions		
- DoJ&CD Courts	(2 352,261,642)	(2,556,163,074)
- State Attorney	(343,529,722)	(148,092,276)
	(2 695,791,364)	(2 704 ,255,350)

#### 6. PAYABLES - THIRD PARTY FUNDS PAYABLES

	2017	2016 Restated
	R	R
State Attorney		
National Revenue Fund	14,514,601	3,793,877
State Organisations	319,330,779	304,482,718
Unclassified monies	6,235,259	28,688,635
Corporate Account: Vote Payable	18,832,368	2,625,497
Courts		
Bail	281,652,630	278,480,525
Maintenance	82,926,759	76,868,404
Unclassified monies	45,270,413	61,099,184
Fines	38,998,576	44,952,212
Payments into court	9,165,553	9,367,875
Contribution	63,130	650
Compensatory Fines	4,247,403	3,647,665
	821,237,471	814,007,242

#### 7. OTHER FINANCIAL LIABILITIES

The DoJ&CD launched and completed a ring-fencing exercise in the financial year under review. 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 the historical limitations of the system.

The various limitations placed on reporting data is inter alia due to the shortcomings of the administrative systems JDAS and SAS, 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 down to court level, and have been age analysed. The balances were investigated and cleared through obtaining supporting documentation, fixing data errors, and through pay overs of funds to the National Revenue Fund, as prescribed over the medium term (the next two years). These activities and the clearing of historical balances are in preparation for the deployment of a new SAP based financial administration in the future.

	As disclosed in 2015/2016	As disclosed in 2016/17	Movement	Nature of movement
Receivables	32,241,816	11,452,090	(20,789,726)	
Courts	32,138,595	11,452 ,090	(20,789,726)	Clearing of invalid shortages, write-off by delegated authority and recovery of overpayments.
State Attorney Shortages	103,221	-	(103,221)	More accurate financial information becoming available as part of data clean up. Shortage previously reported as a loss no longer a valid shortage.
Cash and Cash Equivalents	57,086,160	26,031,392	(31,054,768)	The net impact of clearing the receivables and payables and the clearing of system and data errors, such as erroneous postings of interest and charges.
Payables	(135,965,506)	(53 824 750)	(82,140,756)	
Courts	(124,737,261)	(41,357,253)	(83,380,008)	Pay overs to beneficiary institutions (including NRF) and identified beneficiaries, and clearing of beneficiaries listings.
State Attorney	(11,228,245)	(12,467,497)	1,239,252	Additional amounts ring- fenced as part of data valida- tion, and as more accurate fi- nancial information becomes available.
Other Financial Liabilities	(46,637,530)	(16,341, <mark>268)</mark>	(30,296,262)	

#### 8. INTEREST RECEIVED AND BANK CHARGES

	2017	2016
		Restated
	R	R
Bank charges	(26,319,124)	(25,237,874)
Interest received	43,280,653	25,333,838
	16,961,529	95,964

The increase in interest earned in 2016/2017 relates to a once-off major deposit for an on-going case at the Durban State Attorney.

#### 9. GOING CONCERN

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

#### 10. EVENTS AFTER THE REPORTING PERIOD

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

#### 11. RELATED PARTY TRANSACTIONS

Name of related party:

Department of Justice and Constitutional Development

Relationship:

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

In addition, interest and bank charges accrue to the Department of Justice and Constitutional Development. This results in the statement of financial performance, as well as statement of changes in net assets, not reflecting any amounts.

	2017	2016
		Restated
	R	R
Total administration costs (salaries) disclosed as:	5,369,970	5,102,300
Office of the CFO	5,369,970	5,102,300
Key personnel costs disclosed as:	5,369,970	5,102,300
Level 15 - Chief Financial Officer (1)	1,486,187	1 446 848
Level 14 - Chief Director (1)	1,320,457	1,247,401
Level 13 - Directors (2)	2,563,326	2,408,051

#### 12. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Interest rate risk

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

#### 12.1 CREDITRISK

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 with the highest credit ratings.

These institutions are:

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

#### 12.2 INTEREST RATE RISK

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

#### 12.3 COMPLIANCE RISK

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

#### 13. PRIOR PERIOD ERRORS

The Fund has previously erroneously accounted for the High Court in Gauteng under TPF, affecting the classifications of Fines as part of Payables and the Cash Flow Statement. However, this treatment was incorrect.

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

	As disclosed in 2015/2106	Prior period error for the financial year 2015/2016	Restated balance
Cash and Cash Equivalents	476,690,727	3,285,100	479,975,827
Third Party Funds Payables			
Fines	41,588,387	3,363,825	44,952,212
Payments into Court	9,446,600	(78,725)	9,367,875
Statement of Cash Flow			
Cash Receipts	3,003,205,146	5,100	3 003,210,246
Cash Payments	(2,704,564,350)	309,000	(2 704,255,350)





Tel: 012 315 1111

Private Bag X81, Pretoria, 0001

Momentum Centre, 329 Pretorius Street, Pretoria

◆ www.justice.gov.za → DOJCD\_ZA ← DOJCD ■ DOJCD