

Third Party Funds Audit Action Plan

06/07

26 October 2007



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Department:
Justice and Constitutional Development
REPUBLIC OF SOUTH AFRICA

GDA	05/06	06/07	Main Finding
<p>Completeness, validity and accuracy of financial information could not be verified</p>	<p>Q</p>	<p>Q</p>	<p>Basis of accounting and legal status: The legal status and basis of accounting of Third Party Funds has not been resolved. Presently there is no support by National Treasury for a separate entity.</p> <p>Lack of sufficient financial system to generate reliable financial information: During the regional audits it has been identified that the manual system does not provide reliable financial information as significant control weaknesses were noted. The financial impact on the financial statements could not be quantified.</p> <p>No or incomplete submission of financial information by offices operating on the manual system: Out of 581 offices, 88 offices (15%) did not submit any financial information to National Office, while a further 259 (44, 5%) submitted incomplete information.</p> <p>Limitation of scope: Information provided during regional audits was not provided.</p>

LEGEND - EOM: Emphasis of Matter

Q: Qualification



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Action plan for addressing deficiencies		Progress to date
<p>Basis of accounting and legal status:</p> <p>National Treasury provided direction on 15 August 2007 that bank balances and liabilities to be included in Vote annual financial statements.</p>	<p>Meeting with National Treasury to be held to discuss the way forward with the accounting treatment. Due date: 30 Sept 2007</p> <p>Establish a Committee for formalising the accounting treatment . Due date: November 2007</p>	<p>Meeting scheduled for 20 September 2007 did not materialise.</p> <p>National Treasury provided direction on 15 August 2007 that bank balances and liabilities to be included in Vote annual financial statements.</p> <p>CFO, COO, Alan Mackenzie, Elna Erasmus, Nico van Harmelen, Accounting Standards Board, National Treasury / Accountant-General, Auditor-General.</p> <p>Obtained expert advice from UCT (meeting scheduled for 30 October 2007).</p>



Action plan for addressing deficiencies	Progress to date
<p>Lack of sufficient financial system to generate reliable financial information</p>	<p>The Department is currently rolling out the Justice Deposit Account System (JDAS) to all offices in the country and it is envisaged that this process will be completed by end December 2007.</p> <p>Public Private Partnership project to resolve the inadequate management of TPF accounts (PPP timelines):</p> <p><u>January to March 2008</u></p> <ul style="list-style-type: none"> • Signing of the PPP agreement with preferred bidder. • Initiate the development of all PPP systems (JDAS 5). • Roll-out of EFT Maintenance payment option (198 courts & 35 124 beneficiaries paid in September 2007). <p><u>April to June 2008</u></p> <ul style="list-style-type: none"> • Finalize the development of the PPP (JDAS 5) system and acceptance thereof by DOJ. <p><u>July to December 2008</u></p> <ul style="list-style-type: none"> • Roll out of PPP maintenance system to all courts. <p>As at 26 October 2007, 329 sites (57%) have been converted to JDAS 4, leaving 252 sites on the manual system.</p> <p>Approval for the issue of a Request for Best And Final Offer (RfBAFO) in respect of the Public Private Partnership for Third Party Funds has been granted on 15 October 2007. It is envisaged that the contract will be signed by 31 March 2008 and that the system (JDAS 5) will be fully implemented by 31 December 2008.</p>



Annex plan of activities

The Department is currently in the process of developing a friendly reporting tool for Third Party Funds (TPF) to ensure the submission rate of financial information by TPF. The system will include monthly reporting, certification and the DG/COO. A provision for National access to financial information is also included.

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Action plan for addressing deficiencies		Progress to date
<p>Material control weaknesses</p>	<p>The JDAS 4 roll-out will mitigate the control weaknesses in the manual system.</p> <p>Regional visits by the Chief Financial Officer to all 9 Regional Heads, Regional Financial Managers, Directors of Court Operations and Area Court Managers will highlight all the control weaknesses to be addressed by these roll-players.</p>	<p>As at 26 October 2007, 329 sites (57%) have been converted to JDAS 4, leaving 252 sites on the manual system. Training is an inherent part of the roll-out process.</p> <p>Planned dates for visits: KZN: 6 Nov 07 Gauteng: 7 Nov 07 Limpopo: 8 Nov 07 Mpumalanga: 12 Nov 07 Suitable dates for other regions awaited</p> <p>Letters to be issued to Regional Heads to comment on non-adherence to DFI on 31/10.</p>



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Action plan for addressing deficiencies	Progress to date
<p>Material control weaknesses (continued)</p>	<p>The Third Party Funds PPP will remove most/all cash handling from Justice Offices and all financial records will be controlled by limited back office staff. Only administrative duties will remain at Justice Offices.</p> <p>Approval for issue of RfBAFO granted by DG on 15 October 2007</p>

