CAPE METROPOLITAN TRANSPORT FUND

Audited Annual Financial Statements for the year ended 30 June 2018

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

30/11/2018

CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

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The reports and statements listed below comprise the audited annual financial statements presented to the core City, the City of Cape Town.

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REPORT OF THE AUDITOR-GENERAL

to the Council of the City of Cape Town on the Cape Metropolitan Transport Fund

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Cape Metropolitan Transport Fund set out on pages 6 to 13, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets and cash flow statement 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, the financial statements present fairly, in all material respects, the financial position of the Cape Metropolitan Transport Fund as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Urban Transport Act of South Africa, 1977 (Act No. 78 of 1977) (UTA).

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 this auditor's report.

4. I am independent of the fund in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and 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.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting officer for the financial statements

6. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA 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.

7. In preparing the financial statements, the accounting officer is responsible for assessing the Cape Metropolitan Transport 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 accounting officer 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

8. 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.

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

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REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

10. 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 Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and such reporting is also not required in terms of the entity's specific legislation.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

11. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the type with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
12. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

INTERNAL CONTROL DEFICIENCIES

13. I considered internal control relevant to my audit of the financial statements, reported performance information 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

Cape Town

30 November 2018

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SOUTH AFRICA

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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 related to events or conditions that may cast significant doubt on the Cape Metropolitan Transport Fund's 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 this auditor's report. However, future events or conditions may cause a fund to cease continuing as a going concern; and
   - 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

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 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, where applicable, related safeguards.

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FINANCIAL REPORT AND
APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2018

LEGISLATIVE FRAMEWORK

The Cape Metropolitan Transport Fund ("the Fund") was created in terms of Section 18 of the Urban Transport Act, Act 78 of 1977. The administration of the Fund vests with the core City which is the City of Cape Town.

BUSINESS ACTIVITIES

The principal activity of the Fund is to promote the planning and provision of adequate urban transport facilities and all incidental matters.

STATEMENT OF RESPONSIBILITIES

The Fund Administrator is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP. This responsibility includes the maintenance of adequate accounting records and the application of appropriate accounting policies.

The Fund Administrator is also responsible for the Fund's system of internal financial control and to account for the Fund's assets and liabilities to provide reasonable assurance as to the reliability of the financial statements. Nothing has come to the attention of the Fund Administrator to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis.

REVIEW OF OPERATIONS

The financial statements adequately reflect the results of the operations for the year under review and no further explanations are considered necessary, except that the Fund only acts as a funding vehicle for certain specified expenditure projects within the City and therefore the Fund does not have its own performance indicators.

The City has established a Metropolitan Land Transport Fund (MLTF) in terms of Section 27 of the National Land Transport Act, Act 5 of 2009. The Commissioner of the City's Transport and Urban Development Authority has requested that all national and provincial grant funding allocations previously allocated to the Fund henceforth be allocated to the MLTF. This request was approved. The Fund continues to operate as a going concern as it can only be wound down once the act, in terms of which it was created, is repealed.

EVENTS SUBSEQUENT TO YEAR-END

There have been no facts or circumstances of a material nature that have occurred between the reporting date and date of this report.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements which appear on pages 6 – 13 were signed by the City Manager on behalf of the core City, the City of Cape Town.

Date: 29 August 2018

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STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Notes	2018 R	2017 Restated[1] R
ASSETS			
Current Assets			
Inter Administrator Fund	2	**15 597 968**	15 140 796
TOTAL ASSETS		***15 597 968***	*15 140 796*
NET ASSETS AND LIABILITIES			
Net Assets			
Accumulated Funds		**15 597 968**	15 140 796
TOTAL NET ASSETS AND LIABILITIES		***15 597 968***	*15 140 796*

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[1] Comparatives restated: See note 5 for more details

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2018

	2018 R	2017 Restated[2] R
REVENUE		
Exchange Transactions	***5 012 101***	**3 996 030**
Rentals	**3 604 065**	2 544 008
Finance income	**986 461**	1 006 646
Sundry Income	**421 575**	445 376
TOTAL REVENUE	***5 012 101***	*3 996 030*
EXPENDITURE		
Implementation	***4 413 956***	*1 811 207*
Dial-a-ride	**-**	215 585
Public Transport Projects	**-**	1 018 212
Other Projects	**4 413 956**	577 410
Audit Fees	**140 973**	122 295
TOTAL EXPENDITURE	***4 554 929***	*1 933 502*
SURPLUS FOR THE YEAR	***457 172***	*2 062 528*

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[2] Comparatives restated: See note 5 for more details

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 30 June 2018

	Accumulated Funds R
2017	
Balance at 1 July 2016	*10 513 114*
Correction of error	2 565 153
Surplus for the year	2 062 528
Restated balance at 30 June 2017	***15 140 796***
2018	
Balance at 1 July 2017	**15 140 796**
Surplus for the year	**457 172**
BALANCE AT 30 JUNE 2018	***15 597 968***

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CASH FLOW STATEMENT

for the year ended 30 June 2018

	Notes	2018 R	2017 Restated[3] R
CASH FLOW FROM OPERATING ACTIVITIES			
Payments from contributors		**3 568 468**	8 583 636
Subsidies and transfers		**(4 554 929)**	(9 590 282)
Cash utilised by operations	3	***(986 461)***	*(1 006 646)*
Finance income		**986 461**	1 006 646
NET CASH FROM OPERATING ACTIVITIES		**-**	-

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[3] Comparatives restated: See note 5 for more details

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

1. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies of the Cape Metropolitan Transport Fund ("the Fund"), which are in all material aspects consistent with those applied in the previous financial year. The historical cost convention has been used, except where stated otherwise. In the process, management has not made any significant accounting judgements, estimates or assumptions and thus there has been no significant effect on the amounts recognised in the financial statements.

1.1. Basis of Presentation

These financial statements have been prepared in accordance with Standards of GRAP issued by the Accounting Standards Board (ASB) and approved by the Minister of Finance as effective. The ASB has issued a directive which sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors. The Cash Flow Statement can only be prepared in accordance with the direct method.

The financial statements have been prepared on the historical cost basis unless otherwise stated.

Details of the Fund's significant accounting policies are set out below and are consistent with those applied in the previous year.

1.2. Adoption of New and Revised Standards

Standards and interpretations effective and adopted in the current year

The ASB has not issued any new standards or interpretations that are effective for the current year. The ASB issued improvements to the Standards of GRAP that are applicable and effective in the current year. These improvements did not lead to changes in the accounting policy for the Fund.

Standards and Interpretations early adopted

The Fund has not early adopted any GRAP standard that is not yet effective, but has based its accounting policies on GRAP 20, 108, and 109.

Standards and interpretations issued, but not yet effective

At the date of submission of these financial statements, the following amendments to Standards of GRAP and approved Standards of GRAP have been issued but are effective for annual periods commencing on or after 1 April 2019:

- GRAP 20 - Related-party disclosures (revised)
- GRAP 108 - Statutory receivables
- GRAP 109 - Accounting by principals and agents

The Fund has based its accounting policies on these standards and therefore there will be no impact that application of the standards will have on the financial statements.

1.3. Critical Accounting Estimates and Judgements

In the process of applying the Fund's accounting policies, management has not made any significant accounting judgements, estimates or assumptions and thus there has been no significant effect on the amounts recognised.

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1.4. Financial Instruments

Financial assets and financial liabilities are initially recognised on the Statement of Financial Position when the Fund becomes party to the contractual provisions of the instrument.

1.5. Receivables

Trade and other receivables are recognised at fair value and subsequently stated at amortised cost.

1.6. Bank Account and Accounting System

The Fund uses the City of Cape Town's bank account and all transactions take place through the City of Cape Town's accounting and procurement systems.

1.7. Assistance

City of Cape Town staff performs all the functions of the Fund.

2. INTER ADMINISTRATOR FUND

	2018 R	2017 R
City of Cape Town	***15 597 968***	15 140 796

The inter administrator fund is interest bearing and is administered by the City of Cape Town as a ring-fenced investment within the City.

Its funds are available on demand to pay creditors. There is no material change in the exposure to credit risk. The inter administrator fund balance at year end represents approximately fair value.

The carrying amount represents the maximum credit exposure of the Fund.

Credit Risk

Credit risk is the risk of financial loss to the Fund if the City of Cape Town fails to meet its contractual obligations. The City limits its exposure to credit risk by only investing with reputable institutions that have a sound credit rating. Consequently, the Fund does not consider there to be any significant exposure to credit risk.

3. CASH UTILISED BY OPERATIONS

Net surplus for the year	**457 172**	2 062 528
Adjustments for :		
Interest Received	**(986 461)**	(1 006 646)
Operating (deficit)/surplus before working capital changes:	***(529 289)***	1 055 882
Increase/(Decrease) in payables	**-**	(7 656 780)
(Increase)/Decrease in Administrator Fund	**(457 172)**	5 594 252
Cash utilised by operations	***(986 461)***	(1 006 646)

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	2018 R	2017 R

4. RELATED PARTIES

The City of Cape Town was designated as the core City and, as such, administers the Fund in terms of Section 17 of the Urban Transport Act, Act 78 of 1977.

The City of Cape Town, as the fund administrator, deposits all Fund monies into the City of Cape Town's bank account.

	2018 R	2017 R
Balance of funds held by the City at 1 July	15 140 796	20 735 048
Balance of funds held by the City at 30 June	***15 597 968***	15 140 796

During the year, the Fund entered into the following arm's length transactions with related parties:

	2018 R	2017 R
Claims paid to the City	***4 413 956***	1 811 207
Interest paid on balances held by the City to the Fund	***986 461***	1 095 978
Net Revenue collected by the City on behalf of the Fund from:	***4 025 640***	2 989 384
Net Rentals	**3 604 065**	2 544 008
Sundry Income	**421 575**	*445 376*

5. PRIOR-YEAR ADJUSTMENTS

Correction of error

Unspent conditional grants, revenue recognition attributed to these funds in the prior year and interest capitalised to the unspent funds for the prior year were derecognised. The projects for which these funds were provided were concluded in previous years, and the transferors did not require the balance of the funds to be repaid subsequent to the completion of the projects. There were, therefore, no longer any conditions to be met in order to recognise the funds received as revenue.

Items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by the prior-year adjustments are as follows:

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5. PRIOR-YEAR ADJUSTMENTS (continued)

2017	Note	As previously reported R	Correction of error R	Restated R
STATEMENT OF FINANCIAL POSITION				
Assets				
Current assets				
Inter Administrator Fund	2	15 140 796		15 140 796
TOTAL ASSETS		*15 140 796*	*-*	*15 140 796*
Net assets and liabilities				
Net assets				
Accumulated Funds		12 474 355	2 666 441	15 140 796
Current liabilities				
Unspent conditional grants		2 666 441	(2 666 441)	-
TOTAL NET ASSETS AND LIABILITIES		*15 140 796*	*-*	*15 140 796*
STATEMENT OF FINANCIAL PERFORMANCE				
Revenue				
Non-Exchange Transactions				
National Department of Transport		84 587	(84 587)	-
Exchange Transactions		**3 810 156**	**185 874**	**3 996 030**
Rentals		2 544 008	-	2 544 008
Finance income		820 772	185 874	1 006 646
Sundry Income		445 376	-	445 376
TOTAL REVENUE		*3 894 743*	*101 287*	*3 996 030*
Expenditure				
Implementation		*1 811 207*	-	*1 811 207*
Dial-a-ride		215 585	-	215 585
Public Transport Projects		1 018 212	-	1 018 212
Other Projects		577 410	-	577 410
Audit Fees		122 295	-	122 295
TOTAL EXPENDITURE		*1 933 502*	-	*1 933 502*
SURPLUS FOR THE YEAR		*1 961 241*	*101 287*	*2 062 528*
CASH FLOW STATEMENT				
Cash flow from operating activities				
Payments from contributors		8 668 223	(84 587)	8 583 636
Subsidies and transfers		(9 488 995)	(101 287)	(9 590 282)
Cash utilised by operations	3	*(820 772)*	*(185 874)*	*(1 006 646)*
Finance income		820 772	185 874	1 006 646
NET CASH FROM OPERATING ACTIVITIES		-	-	-

6. EVENTS AFTER REPORTING DATE

At the time of preparing and submitting the annual financial statements, there were no subsequent events to disclose.

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