Cape Metropolitan Transport Fund

Audited Annual Financial Statements for the year ended 30 June 2016

AUDITOR-GENERAL SOUTH AFRICA
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TDA CAPE TOWN
The City of Cape Town's Transport and Urban Development Authority

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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.

Registered Office

Business Address
12 Hertzog Boulevard
Cape Town
8000

Postal Address
P O Box 655
Cape Town
8001

Telephone: (021) 400-2175
FAX: (021) 400-5401

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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 FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Cape Metropolitan Transport Fund set out on pages 5 to 12, which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, the cash flow statement as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and section 8(6) of the Urban Transport Act, 1977 (Act No. 78 of 1877) (UTA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the finacncial position of the Cape Metropolitan Transport Fund as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP.

Additional matter

7. I draw attention to the matter below. My opinion is not modifies in respect of this matter.

Unaudited supplementary schedule

8. The supplementary information set out on pages 13 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT OF THE AUDITOR-GENERAL

to the Council of the City of Cape Town on the Cape Metropolitan Transport Fund (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. 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 findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predertimined objectives

10. I was unable to conduct the audit of performance against predetermined objectives, as the entity is not required to prepare a report on its performance against predetermined objectives. The entity does not fall within the ambit of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) and the entity-specific legislation does not require reporting on performance against predetermined objectives.

Compliance with laws and regulations

11. I performed procedures to obtain evidence that the entity has complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice in terms of the PAA.

Internal Control

12. I considered internal control relevant to my audit of the financial statements and compliance with legislation. I did not identify any deficiencies in internal control.

Auditor-General

Cape Town

31 October 2016

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FINANCIAL REPORT AND
APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2016

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 Generally Recognised Accounting Practice and where no standards of GRAP exist or are effective yet, in accordance with the applicable statements of Generally Accepted Accounting Practice. This responsibility includes the maintenance of adequate accounting records and applying 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 Authority, Transport for Cape Town, 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 5 – 12 were signed by the City Manager on behalf of the core City, the City of Cape Town.

Date: 31 August 2016

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STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Notes	2016 R	2015 R
Assets			
Current Assets			
Inter Administrator Fund	2	**20 735 048**	18 513 288
TOTAL ASSETS		***20 735 048***	*18 513 288*
Net Assets and Liabilities			
Net Assets			
Accumulated Funds		**10 513 114**	8 862 786
Current liabilities		**10 221 934**	9 650 502
Unspent Conditional Grants	3	**10 221 934**	9 590 502
Deposits	4	-	60 000
TOTAL NET ASSETS AND LIABILITIES		***20 735 048***	*18 513 288*

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STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2016

	2016 R	2015 R
Revenue		
Non Exchange Transactions		
National Department of Transport	**-**	1 151 564
Exchange Transactions		
Rentals	**2 251 778**	4 009 072
Finance income	**583 305**	739 133
Sundry Income	**499 809**	377 543
TOTAL REVENUE	***3 334 892***	*6 277 312*
Expenditure		
Implementation	***1 527 890***	*14 405 215*
Dial-a-ride	**-**	165 957
Public Transport Interchange	**1 219 921**	12 571 488
Public Transport Projects	**-**	776 088
Traffic Safety Bureau Projects	**307 969**	891 682
Audit Fees	**156 674**	177 081
TOTAL EXPENDITURE	***1 684 564***	14 582 296
Surplus/ (Deficit) for the Year	***1 650 328***	(8 304 984)

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STATEMENT OF CHANGES IN NET ASSETS

for the year ended 30 June 2016

	Accumulated Funds R
2015	
Balance at 1 July 2014	17 167 770
Deficit for the year	(8 304 984)
Balance at 30 June 2015	***8 862 786***
2016	
Balance at 1 July 2015	***8 862 786***
Surplus for the year	**1 650 328**
Balance at 30 June 2016	***10 513 114***

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CASH FLOW STATEMENT

for the year ended 30 June 2016

	Notes	2016 R	2015 R
Cash Flow from Operating Activities			
Payments from contributors		**529 827**	14 406 029
Subsidies and transfers		**(1 113 132)**	(15 145 162)
Cash utilized by operations	5	***(583 305)***	(739 133)
Finance income		**583 305**	739 133
Net Cash from Operating Activities		**-**	-

1. Statement of Accounting Policies

The following are the principal 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 judgments, estimates or assumptions and thus there has been no significant effect on the amounts recognized in the financial statements.

1.1. Basis of Presentation

These financial statements have been prepared in accordance with Standards of Generally Recognized Accounting Practice (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 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 our below and are consistent with those applied in the previous year.

1.2. Adoption of New and Revised Standards

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 changes to the accounting policies.

The Fund has not adopted any GRAP standard that is not yet effective, but has based its accounting policies on such standards, except for GRAP 18. Effective dates have been given for some of the standards, while for others, no effective dates have yet been determined. At the date of submission of these financial statements for the year ended 30 June 2016, the following standards had been issued but were not yet effective.

Approved Standards of GRAP for which no effective dates have been determined yet:

- GRAP 18 - Segment reporting
- GRAP 20 - Related-party disclosures (revised)
- GRAP 32 - Service concession arrangements: Grantor
- GRAP 108 - Statutory receivables
- GRAP 109 - Accounting by principals and agents
- IGRAP 17 - Service concession arrangements where a grantor controls a significant residual interest in an asset

All the above standards, where applicable, will be complied with in the financial statements once the standards take effect. Preliminary investigations indicated that, other than additional disclosure, the impact of the standards on the financial statements will be minimal.

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 recognized.

1.4. Financial Instruments

Financial assets and financial liabilities are initially recognized 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 recognized at fair value and subsequently stated at amortised cost.

1.6. Payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

1.7. Revenue: Non-Exchange and Exchange Transactions

Revenue is recognized net of indirect taxes and consists mainly of Government grants, net rentals, the net proceeds of the sale of information and interest received on funds held by the City of Cape Town.

Government grants and receipts are recognized as revenue and transferred to the Statement of Financial Performance in the year they are expended. To the extent that the criteria, conditions or obligations have not been met, a liability is recognized and the funds are invested until utilized.

Net rental income is brought into account upon notification by the City of Cape Town at the end of the financial year, of the amounts due to the Fund net of expenses.

Proceeds of information sold are transferred ex City of Cape Town.

Interest earned on funds which have been invested is treated in accordance with grant conditions. Interest earned on utilized conditional grants is allocated directly to the unspent conditional grant and is not recognized in the Statement of Financial Performance.

1.8. Unspent Conditional Grants

Unspent conditional grants are reflected on the Statement of Financial Position as current liabilities. These unspent grants and donations, are cash-backed and invested until utilized. Interest earned on the investments is treated in accordance with grant conditions.

1.9. 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.

1.10. Assistance

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

	2016 R	2015 R
2. Inter Administrator Fund		
City of Cape Town	***20 735 048***	18 513 288

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. Unspent Conditional Grants

	2016 R	2015 R
Provincial Government Western Cape	**7 656 779**	7 183 803
National Department of Transport	**1 767 426**	1 658 247
Public Contributions	**797 729**	748 452
	10 221 934	9 590 502

The unspent portion of the conditional grants will be spent in the following financial periods to the conclusion of the projects for which they were intended. No amounts are due for repayment to the donors for the reason set out above.

4. Deposits

	2016 R	2015 R
Refundable Deposit	-	60 000

The refundable deposit is in respect of contract work performed by Serina Kaolin (Pty) Ltd for the laying of two pipelines between the Mine on Farm 1337/5 Noordhoek and the Beneficiation Plant at Brakkekloof. The deposit was derecognised in the current year as there is no longer a present obligation to refund the deposit.

5. Cash Utilised by Operations

	2016 R	2015 R
Net surplus / (deficit) for the year	**1 650 328**	(8 304 984)
Adjustments for :-		
Interest Received	**(583 305)**	(739 133)
Operating (deficit)/surplus before working capital changes:	***1 067 023***	(9 044 117)
Increase/(Decrease) in payables	**571 432**	(562 866)
(Increase)/Decrease in Administrator Fund	**(2 221 760)**	8 867 850
Cash utilised by operations	***(583 305)***	(739 133)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016 (continued)

	2016 R	2015 R

6. 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.

	2016 R	2015 R
Balance of funds held by the City at 1 July	18 513 288	27 381 138
Balance of funds held by the City at 30 June	***20 735 048***	18 513 288

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

	2016 R	2015 R
Claims paid to the City of Cape Town	***1 527 890***	14 405 215
Interest paid on balances held by the City to the Fund	***1 214 737***	1 327 831
Net Revenue collected by the City on behalf of the Fund from:	***2 751 587***	4 386 615
Net Rentals	**2 251 778**	4 009 072
Sundry Income	**499 809**	377 543

7. Events After Statement of Financial Position Date

No significant events occurred after statement of financial position date.

DETAILED SCHEDULE OF UNSPENT CONDITIONAL GRANTS

as at 30 June 2016

	Balance 01 July 2015 R	Receipts/ Transfers R	Interest Received R	Disbursements/ Transfers R	Balance 30 June 2016 R
Bicycle and Pedestrian facilities	606 442		39 928		646 370
Comprehensive Integrated Transport Plan	3 108 506		204 662		3 313 168
General PTI improvements	888 969		58 529		947 498
Dial-a-Ride	24 406		1 607		26 013
Security at PTI's	5 772		380		6 152
Public Transport Restructure Plan	1 157 443		76 205		1 233 648
Metropolitan Transport Authority Investigation	451 651		29 736		481 387
Rehabilitation Proclaimed metro roads	693 605		45 666		739 271
WCPT infrastructure upgrade 2010 Projects	247 009		16 263		263 272
Provincial Government Western Cape	***7 183 803***	**-**	***472 976***	**-**	***7 656 779***
ITS/TDM	95 049		6 258		101 307
Travel demand	4 700		309		5 009
PT Call centre	624		41		665
Vukuhambe project	1 210		80		1 290
Dial-a-Ride	37 790		2 488		40 278
EMME/2 Conference	202 268		13 317		215 585
Arrive Alive funds	412 744		27 175		439 919
Integrated Transport Plan	38 386		2 527		40 913
RDP Project: Wetton/Landsdowne Road dev study	53 988		3 555		57 543
Codatu VIII conference	65 380		4 305		69 685
Cape Town 2004 Summer Olympic Games	18 178		1 197		19 375
Rail operations - due diligence study	700 401		46 114		746 515
Modalink section 21 Co	27 529		1 813		29 342
National Department of Transport	***1 658 247***	**-**	***109 179***	**-**	***1 767 426***
CCTV project	238 810		15 723		254 533
Upgrading Bosmansdam road	42 844		2 821		45 665
Public Private Partnership: Private Sector	183 452		12 078		195 530
Contributions ex SANRAL	127 112		8 369		135 481
PRASA	156 234		10 286		166 520
Public Contributions	***748 452***	**-**	***49 277***	**-**	***797 729***
	9 590 502	**-**	***631 432***	**-**	***10 221 934***

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