CAPE METROPOLITAN TRANSPORT FUND

AUDITED

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2013

CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

THIS CITY WORKS FOR YOU

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

Registered Office

Business Address	Postal Address
12 Hertzog Boulevard	P O Box 655
Cape Town	Cape Town
8000	8001

Telephone: (021) 400-2999
Telefax: (021) 400-4004

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 13, which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer 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 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.

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 the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and 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 financial position of the Cape Metropolitan Transport Fund as at 30 June 2013 and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP.

Emphasis of matter

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

Restatement of corresponding figures

8. As disclosed in note 6 to the financial statements, the corresponding figure for 30 June 2012 have been restated as a result of an error discovered during 2013 in the financial statements of the Cape Metropolitan Transport Fund at, and for the year ended, 30 June 2012.

Additional matter

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

Unaudited supplementary schedules

10. The supplementary information set out on pages 14 to 15 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 ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

<u>Predetermined objectives</u>

12. 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 MFMA and the entity-specific legislation does not require reporting on performance against predetermined objectives.

<u>Compliance with laws and regulations</u>

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

<u>Internal control</u>

14. I considered internal control relevant to my audit of the financial statements and compliance with laws and regulations. I did not identify any deficiencies in internal control that I considered sufficiently significant for inclusion in this report

Auditor-General

Cape Town

29 November 2013

AUDITOR GENERAL.
SOUTH AFRICA

Auditing to build public confidence

Legislative framework

The Cape Metropolitan Transport Fund (CMTF) 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 entity'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 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 does not have its own performance indicators.

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 - 15 were signed by the City Manager on behalf of the core City, the City of Cape Town.

Date: 30 **August 2013**

	Notes	2013 R	2012 R Restated[1]
ASSETS			
Current assets			
Inter Administrator Fund	2	44 584 278	69 746 377
Total Assets		**44 584 278**	**69 746 377**
NET ASSETS AND LIABILITIES			
Net Assets			
Accumulated Funds		**12 563 677**	**16 268 883**
Current liabilities		**32 020 601**	**53 477 494**
Unspent Conditional Grants	3	31 960 601	53 417 494
Deposits	4	60 000	60 000
Total Net Assets and Liabilities		**44 584 278**	**69 746 377**

1. Comparative restated: see note 6.

CAPE METROPOLITAN TRANSPORT FUND

FINAL

Statement of financial performance for the year ended 30 June 2013

	2013 R	2012 R Restated[1]
REVENUE		
Non Exchange Transactions	33 284 874	21 539 049
National Department of Transport	430 624	3 835 429
Provincial Government Western Cape	32 484 604	15 151 792
Other Sources	369 646	2 551 828
Exchange Transactions		
Rentals	4 144 808	3 721 371
Finance income	610 348	1 019 197
Sundry Income	938 111	1 092 932
TOTAL REVENUE	**38 978 141**	**27 372 549**
EXPENDITURE		
Implementation	42 576 841	30 049 026
Infrastructure Management Metro Roads	17 000 000	-
Dial-a-ride	-	4 300 000
Non-motorised Transport	6 858 444	6 671 163
N2 Gateway	566 985	1 337 995
Public Transport Interchange	2 932 805	2 025 189
Public Transport Projects	9 016 171	5 967 691
Traffic Safety Bereau Projects	2 686 261	2 175 458
CCTV Major Routes	-	189 760
Security Services	-	2 450 000
Structural Maintenance	-	67 960
Freeway Management Systems	2 854 374	4 661 847
Hospital Bend	-	201 963
Rail Due Diligence Study	430 624	-
Muizenberg/Simons Town Transport Study	231 177	-
Audit Fees	106 506	111 378
TOTAL EXPENDITURE	**42 683 347**	**30 160 404**
Surplus/(deficit) for the year	**(3 705 206)**	**(2 787 855)**

1. Comparative restated: see note 6.

	Accumulated Funds R
2012	
Balance at 1 July 2011	19 056 738
Restated deficit at 30 June 2012	(2 787 855)
Deficit as at 30 June 2012 – previously reported	(787 419)
Restatement of expenditure – note 6	(2 000 436)
Balance at 30 June 2012	**16 268 883**
2013	
Balance at 1 July 2012	16 268 883
Net Deficit for the year	(3 705 206)
Balance at 30 June 2013	**12 563 677**

	Notes	2013 R	2012 R Restated[1]
CASH FLOW FROM OPERATING ACTIVITIES			
Payments from contributors		63 529 892	33 095 568
Subsidies and transfers		(64 140 240)	(34 114 765)
Cash generated from operations	5	**(610 348)**	**(1 019 197)**
Finance income		610 348	1 019 197
NET CASH FROM OPERATING ACTIVITIES		**-**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES		**-**	**-**

1. Comparative restated: see note 6.

1. STATEMENT OF ACCOUNTING POLICIES

The following are the principal accounting policies of the Cape Metropolitan Transport Fund (CMTF), which are in all material aspects consistent with those applied in the previous financial year. The historical cost convention has been used, except where declared 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 ADOPTION OF NEW AND REVISED STANDARDS

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

The fund has not adopted any GRAP standard not yet effective, but has based its accounting policies on such standards. Effective dates have been given for some of the standards and for others, no effective dates have yet been determined. At the date of submission of these financial statements for the year ended 30 June 2013 the following standards were issued but not yet effective.

Annual period commencing on or after 1 April 2013:

GRAP 25 – Employee benefits

No effective dates provided yet:

GRAP 18 – Segment Reporting

GRAP 20 – Related Party Disclosure (revised)

GRAP 105 – Transfers of functions between entities under common control

GRAP 106 – Transfers of functions between entities not under common control

GRAP 107 – Mergers

All the above standards, where applicable will be complied with in the financial statements once the effective date has been set. Preliminary investigations indicated that the impact of the standards on the Financial Statements will be minimal except for additional disclosure.

1.2 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the 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 CTMF's significant accounting policies are set our below and are consistent with those applied in the previous year.

1.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the fund's accounting policies, management has not made 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 CMTF 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 monies 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 invested until utilized. Interest earned 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 Performance. Net rental income is brought into account upon notification at the end of the financial year by the City of Cape Town of the amounts due to the fund net of expenses. Proceeds of information sold are transferred ex City of Cape Town.

1.8 UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are reflected on the Statement of Financial Position as current liabilities. These unspent grants and donations, which always have to be backed by cash, are 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 performed all the functions of the CMTF.

		2013 R	2012 R Restated[1]
2	**INTER ADMINISTRATOR FUND**		
	City of Cape Town	**44 584 278**	**69 746 377**

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

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

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

2.1 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

	2013 R	2012 R Restated
Provincial Government Western Cape	28 759 151	49 595 159
National Department of Transport	2 531 788	2 828 411
Other	669 662	993 924
	31 960 601	**53 417 494**

The unspent portion of the conditional grants will be spent in the following financial period to the conclusion of the projects for which they were intended. Substantial portions of the grants were provided in advance of infrastructure projects and will be fully spent in the following financial period. No amounts are due for repayment to the donors for the reason set out above.

	2013 R	2012 R Restated[1]
4 DEPOSITS		
Refundable Deposit	**60 000**	**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.

5 CASH UTILISED BY OPERATIONS

	2013	2012
Net surplus / (deficit) for the year	(3 705 206)	(2 787 855)
Adjustments for:		
Interest Received	(610 348)	(1 019 197)
Operating surplus/(deficit) before working capital changes:	**(4 315 554)**	**(3 807 052)**
Increase/(Decrease) in payables	(21 456 893)	(3 954 361)
(Increase)/Decrease in Administrator Fund	25 162 099	6 742 216
Cash utilised by operations	**(610 348)**	**(1 019 197)**

6 PRIOR-YEAR ADJUSTMENT

Correction of errors

Presented below are only those items contained in the statement of financial position and financial performance that have been affected by the prior-year adjustment.

Prior year expenditure to the amount of R 1 964 953 was erroneously funded from a PGWC grant instead of own revenue.

	Previously reported	Correction of errors	Restated
2012			
Statement of financial position			
Unspent conditional grants - note 3	51,417,058	2,000,436	53,417,494
Accumulated funds	18,269,319	(2,000,436)	16,268,883
Statement of financial performance			
Non exchange revenue - PGWC	23,504,002	(1,964,953)	21,539,049
Finance income	1,054,680	(35,483)	1,019,197
Surplus for the year	(787,419)	(2,000,436)	(2,787,855)

		2013	2012 R Restated[1]
7	**RELATED PARTIES**		
	The City of Cape Town was designated as the core City and, as such, administers the CTMF in terms of Section 17 of the Act.		
	The City of Cape Town as the fund Administrator, deposits all Fund monies into the City of Cape Town bank account.		
	Provincial Government: Western Cape is the main contributor of conditional grants.		
	Balance of funds held by the City at the beginning of the year	**69 746 377**	**76 488 593**
	Balance of funds held by the City at the end of the year	**44 584 278**	**69 746 377**
	During the year, the fund entered into the following arms-length transactions with related parties:		
	Grants and Donations received from Government Departments	**10 000 000**	**14 250 000**
	Claims paid to the City of Cape Town	**42 576 841**	**30 049 026**
	Interest paid on balances held by the City to the fund	**2 438 329**	**4 353 885**
	Net Revenue collected by the City on behalf of the fund	**5 082 919**	**4 814 303**
	Net Rentals	4 144 808	3 721 371
	Sundry Income	938 111	1 092 932

8 EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

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

Detailed schedule of subsidies pad for the year ended 30 June 2013

	Total R	Provincial Government R	Department of Transport R	Other Income R
Implementation				
Infrastructure management Metro roads	**17,000,000**	**17,000,000**	**-**	**-**
Non-motorised Transport	**6,858,444**	**6,719,975**	**-**	**138,469**
Klipfontein PT scheme	2,719,975	2,719,975	-	-
Bicycle and Pedestrian facilities	3,000,000	3,000,000	-	-
Atlantis/Mamre landscaping	1,000,000	1,000,000	-	-
Transport System Management	138,469	-	-	138,469
N2 Gateway	**566,985**	**566,985**	**-**	**-**
Public Transport Interchange	**2,932,805**	**-**	**-**	**2,932,805**
Bellville PTI kiosk upgrade	30,000	-	-	30,000
Security services	2,902,805	-	-	2,902,805
Public Transport Projects	**9,016,171**	**8,197,644**	**-**	**818,527**
PT infrastructure maintenance	3,175,350	3,175,350	-	-
Comprehensive ITP	3,011,873	3,011,873	-	-
PT infrastructure upgrade	2,010,421	2,010,421	-	-
Rehabilitation proclaimed main roads	818,527	-	-	818,527
Traffic Safety Bureau Projects	**2,686,261**	**-**	**-**	**2,686,261**
Other Projects	**3,516,175**	**-**	**430,624**	**3,085,551**
Rail due diligence study	430,624	-	430,624	-
Muizenberg/Simons Town transport study	231,177	-	-	231,177
Freeway Management Systems	2,854,374	-	-	2,854,374
TOTAL	**42,576,841**	**32,484,604**	**430,624**	**9,661,613**

CAPE METROPOLITAN TRANSPORT FUND

FINAL

Detailed schedule of unspent conditional grants at 30 June 2013

	Balance 1 July 2012 R	Receipts/ Transfers R	Interest Received R	Disbursements/ Transfers R	Balance 30 June 2013 R
N2 Gateway	632,400	-	18,480	566,986	83,894
Granger Bay	3,802	-	194	-	3,996
Reconstruction Fairtrees/Lubbe/Boland Road	5,060	-	259	-	5,319
Bicycle/Pedestrian ways Khayelitsha	250,177	-	12,814	-	262,991
Claremont CBD Bus facilities	927	-	48	-	975
Hospital Bend	5,371	-	275	-	5,646
Bicycle and Pedestrian facilities	7,997,144	-	347,037	3,000,000	5,344,181
Comprehensive Integrated Transport Plan	3,876,449	3,000,000	183,562	3,011,873	4,048,138
Signage	796	-	41	-	837
Legacy projects 2010	807,176	-	41,346	-	848,522
General PTI improvements	2,883,367	2,000,000	85,606	3,175,350	1,793,623
Dial-a-Ride	662,507	-	33,936	-	696,443
Security at PTI's	155,267	-	7,953	-	163,220
Maintenance: Ex CMC roads	58,519	-	2,997	-	61,516
Public Transport Restructure Plan	1,012,357	-	51,856	-	1,064,213
Metropolitan Transport Authority Investigation	384,415	-	19,691	-	404,106
Off-ramps N1 City TSM projects	8	-	1	-	9
Brookrail TSM projects	201	-	10	-	211
General PGWC	456,076	-	23,362	-	479,438
Transport traffic lights	4,054	-	208	-	4,262
Environmental projects bicycle facilities	118,614	-	6,076	-	124,690
Zenzele Road maintenance project	611,968	-	31,347	-	643,315
CCTV Cameras Feeway management systems	9,247	-	473	-	9,720
Rehabilitation Proclaimed metro roads	12,567,792	5,000,000	12,821	17,000,000	580,613
WCPT infrastructure upgrade 2010 Projects	15,981,931	-	717,828	4,730,395	11,969,364
Freeway management systems	23,234	-	1,190	-	24,424
NMT landscaping Atlantis & Mamre	1,016,124	-	45,590	1,000,000	61,714
Du Noon pedestrian and cycle paths	70,176	-	3,595	-	73,771
	49,595,159	**10,000,000**	**1,648,596**	**32,484,604**	**28,759,151**
ITS/TDM	80,899	-	4,144	-	85,043
Travel demand	4,000	-	205	-	4,205
PT Call centre	531	-	27	-	558
Vukuhambe project	1,030	-	53	-	1,083
Dial-a-Ride	177,977	-	9,116	-	187,093
EMME/2 Conference	172,156	-	8,819	-	180,975
Arrive Alive funds	351,300	-	17,995	-	369,295
Integrated Transport Plan	703,488	-	36,034	-	739,522
RDP Project: Wetton/Landsdowne Road dev study	45,951	-	2,354	-	48,305
Codatu VIII conference	55,647	-	2,850	-	58,497
Cape Town 2004 Summer Olympic Games	195,877	-	10,033	-	205,910
Rail operations - due diligence study	1,016,124	-	41,171	430,624	626,671
Modalink section 21 Co	23,431	-	1,200	-	24,631
	2,828,411	**-**	**134,001**	**430,624**	**2,531,788**
CCTV project	208,849	-	10,698	-	219,547
Off Ramps N1 City TSM projects	3,456	(3,610)	154	-	-
Brookrail TSM projects	(86,828)	225,046	(5,625)	138,469	(5,876)
Upgrading Bosmansdam road	36,465	-	1,868	-	38,333
Off Ramps N1 City TSM projects	6,497	(6,786)	289	-	-
Brookrail TSM projects	6,429	(6,715)	286	-	-
Public Private Partnership: Private Sector	156,143	-	7,997	-	164,140
Contributions ex SANRAL	108,189	-	5,542	-	113,731
PRASA	355,643	-	15,321	231,177	139,787
Access road: Private Sector	199,081	(207,935)	8,854	-	-
	993,924	**-**	**45,384**	**369,646**	**669,662**
	53,417,494	**10,000,000**	**1,827,981**	**33,284,874**	**31,960,601**