

# **Cape Metropolitan Transport Fund**

*Audited  
Annual  
Financial  
Statements*

*For the year ended  
30 June 2015*



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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 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 2015, 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 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), 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 2015 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 modified in respect of this matter.

### **Unaudited supplementary schedules**

8. The supplementary information set out on pages 13 to 14 does not form a 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 report the following findings on the reported performance information against predetermined objectives, 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.

### **Predetermined 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.

*Auditor General*

Cape Town

31 October 2015



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# **FINANCIAL REPORT & APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

*for the year ended 30 June 2015*

## **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 as of the prior year, all grant funding 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 2015

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2015

	Notes	2015 R	2014 R
<b>ASSETS</b>			
<b>Current Assets</b>			
Inter Administrator Fund	2	18 513 288	27 381 138
<b>TOTAL ASSETS</b>		<b>18 513 288</b>	<b>27 381 138</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>			
Accumulated Funds		8 862 786	17 167 770
<b>Current liabilities</b>			
Unspent Conditional Grants	3	9 590 502	10 213 368
Deposits	4	60 000	60 000
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>18 513 288</b>	<b>27 381 138</b>

# STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2015

	2015 R	2014 R
<b>REVENUE</b>		
<b>Non Exchange Transactions</b>		
National Department of Transport	1 151 564	-
Provincial Government Western Cape	-	23 390 828
<b>Exchange Transactions</b>		
Rentals	4 009 072	4 188 897
Finance income	739 133	698 622
Sundry Income	377 543	768 676
<b>TOTAL REVENUE</b>	<b>6 277 312</b>	<b>29 047 023</b>
<b>EXPENDITURE</b>		
<b>Implementation</b>	<b>14 405 215</b>	<b>24 317 315</b>
Infrastructure Management Metro Roads	-	13 390 100
Dial-a-ride	165 957	696 443
Non-motorised Transport	-	5 466 949
Public Transport Interchange	12 571 488	-
Public Transport Projects	776 088	3 644 068
Traffic Safety Bureau Projects	891 682	926 486
Security Services	-	163 169
Public Transport Restructuring	-	30 100
Audit Fees	177 081	125 615
<b>TOTAL EXPENDITURE</b>	<b>14 582 296</b>	<b>24 442 930</b>
<b>(DEFICIT) / SURPLUS FOR THE YEAR</b>	<b>(8 304 984)</b>	<b>4 604 093</b>

# STATEMENT OF CHANGES IN NET ASSETS

for the year ended 30 June 2015

## 2014

Balance at 1 July 2013

Surplus for the year

**Balance at 30 June 2014**

## 2015

**Balance at 1 July 2014**

Deficit for the year

**BALANCE AT 30 JUNE 2015**

Accumulated Funds R	
	12 563 677
	4 604 093
	<hr/> <b>17 167 770</b> <hr/>
	17 167 770
	<b>(8 304 984)</b>
	<hr/> <b>8 862 786</b> <hr/>



# CASH FLOW STATEMENT

for the year ended 30 June 2015

	Notes	2015 R	2014 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Payments from contributors		14 406 029	45 551 541
Subsidies and transfers		(15 145 162)	(46 250 163)
<b>Cash utilized by operations</b>	5	<b>(739 133)</b>	<b>(698 622)</b>
Finance income		739 133	698 622
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015

## 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 out 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 not 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 standards, whilst for others, no effective dates have yet been determined. At the date of submission of these financial statements for the year ended 30 June 2015, the following standards had been issued, but were not yet effective:

- **Annual periods commencing on or after 1 April 2015:**
  - GRAP 105 Transfer of Functions Between Entities Under Common Control
  - GRAP 106 Transfer of Functions Between Entities Not Under Common Control
  - GRAP 107 Mergers
- **No effective dates provided 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
  - IGRAP17 Interpretation of the Standard of GRAP on 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 the impact of the standards on the financial statements will be minimal.

# **NOTES TO THE FINANCIAL STATEMENTS**

*for the year ended 30 June 2015 (continued)*

## **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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015 (continued)

	2015 R	2014 R
<b>2. INTER ADMINISTRATOR FUND</b>		
<b>City of Cape Town</b>	<b>18 513 288</b>	27 381 138

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

Provincial Government Western Cape	7 183 803	6 777 583
National Department of Transport	1 658 247	2 669 657
Public Contributions	748 452	706 128
	<b>9 590 502</b>	10 153 368

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

Refundable Deposit	60 000	60 000
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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

Net surplus / (deficit) for the year	(8 304 984)	4 604 093
Adjustments for :-		
Interest Received	(739 133)	(698 622)
<b>Operating (deficit)/surplus before working capital changes:</b>	<b>(9 044 117)</b>	<b>3 905 471)</b>
Increase/(Decrease) in payables	(562 866)	(21 807 233)
(Increase)/Decrease in Administrator Fund	8 867 850	17 203 140
<b>Cash utilised by operations</b>	<b>(739 133)</b>	<b>(698 622)</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015 (continued)

	2015 R	2014 R
<b>6. RELATED PARTIES</b>		
The City of Cape Town was designated as the core City and, as such, administers the Fund 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's bank account.		
<b>Balance of funds held by the City at 1 July</b>	<b>27 381 138</b>	44 584 278
<b>Balance of funds held by the City at 30 June</b>	<b>18 513 288</b>	27 381 138
During the year, the Fund entered into the following arm's length transactions with related parties:		
<b>Claims paid to the City of Cape Town</b>	<b>14 405 215</b>	24 317 315
<b>Interest paid on balances held by the City to the Fund</b>	<b>1 327 831</b>	2 282 217
<b>Net Revenue collected by the City on behalf of the Fund from:</b>	<b>4 386 615</b>	4 957 573
Net Rentals	<b>4 009 072</b>	4 188 897
Sundry Income	<b>377 543</b>	768 676

### 7. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

No significant events occurred after statement of financial position date.

## DETAILED SCHEDULE OF SUBSIDIES PAID

for the year ended 30 June 2015

	National Department of Transport R	Accumulated Funds R	Total R
<i>Dial-a-ride</i>	165 957	-	165 957
<i>Public Transport Interchange</i>	209 519	12 361 969	12 571 488
<i>Public Transport Projects</i>	776 088	-	776 088
Integrated Transport Plan	776 088		776 088
<i>Traffic Safety Bureau Projects</i>	-	891 682	891 682
<b>TOTAL</b>	<b>1 151 564</b>	<b>13 253 651</b>	<b>14 405 215</b>

# DETAILED SCHEDULE OF UNSPENT CONDITINAL GRANTS

as at 30 June 2015

	Balance 01 July 2014 R	Receipts/ Transfers R	Interest Received R	Disbursements/ Transfers R	Balance 30 June 2015 R
Bicycle and Pedestrian facilities	572 150	-	34 292	-	606 442
Comprehensive Integrated Transport Plan	2 932 730	-	175 776	-	3 108 506
General PTI improvements	838 701	-	50 268	-	888 969
Dial-a-Ride	23 026	-	1 380	-	24 406
Security at PTI's	5 446	-	326	-	5 772
Public Transport Restructure Plan	1 091 993	-	65 450	-	1 157 443
Metropolitan Transport Authority Investigation	426 112	-	25 539	-	451 651
Rehabilitation Proclaimed metro roads	654 384	-	39 221	-	693 605
WCPT infrastructure upgrade 2010 Projects	233 041	-	13 968	-	247 009
<b>Provincial Government Western Cape</b>	<b>6 777 583</b>	<b>-</b>	<b>406 220</b>	<b>-</b>	<b>7 183 803</b>
ITS/TDM	89 674	-	5 375	-	95 049
Travel demand	4 434	-	266	-	4 700
PT Call centre	589	-	35	-	624
Vukhambe project	1 142	-	68	-	1 210
Dial-a-Ride	197 281	-	6 466	165 957	37 790
EMME/2 Conference	190 830	-	11 438	-	202 268
Arrive Alive funds	389 405	-	23 339	-	412 744
Integrated Transport Plan	779 793	-	34 681	776 088	38 386
RDP Project: Wetton/Landsdowne Road dev study	50 935	-	3 053	-	53 988
Codatu VIII conference	61 683	-	3 697	-	65 380
Cape Town 2004 Summer Olympic Games	217 123	-	10 574	209 519	18 178
Rail operations - due diligence study	660 796	-	39 605	-	700 401
Modalink section 21 Co	25 972	-	1 557	-	27 529
<b>National Department of Transport</b>	<b>2 669 657</b>	<b>-</b>	<b>140 154</b>	<b>1 151 564</b>	<b>1 658 247</b>
CCTV project	225 306	-	13 504	-	238 810
Upgrading Bosmansdam road	40 421	-	2 423	-	42 844
Public Private Partnership: Private Sector	173 078	-	10 374	-	183 452
Contributions ex SANRAL	119 924	-	7 188	-	127 112
PRASA	147 399	-	8 835	-	156 234
<b>Public Contributions</b>	<b>706 128</b>	<b>-</b>	<b>42 324</b>	<b>-</b>	<b>748 452</b>
	<b>10 153 368</b>	<b>-</b>	<b>588 698</b>	<b>1 151 564</b>	<b>9 590 502</b>

