

**Annual Report**

**2004 | 2005**

**WESTERN CAPE PROVINCE**

**DEPARTMENT OF TRANSPORT AND PUBLIC WORKS**

**VOTE 10** Trading Entity: Government Motor Transport



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## EXPLANATORY NOTES WITH REGARD TO ABBREVIATIONS

AFS	Annual Financial Statements
BAS	Basic Accounting System
CCGMT	Co-ordinating Committee for Government Motor Transport
CFO	Chief Financial Officer
Clipper	Computer programme language
COTO	Committee of Transport Officials
CR	Creditor
DR	Debtor
eFuel	Electronic Fuel Purchasing System
EMS	Emergency Medical Service
fifo	First in first out
FleetMan	Fleet Management System
FMS	Financial Management System
GAAP	Generally Accepted Accounting Practice
Gb	Giga byte
GMT	Government Motor Transport
HIV/Aids	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
i-FleetMan	Fleet Management System (web enabled)
IMLC	Institutional Management Labour Caucus
LERWUA	Lower Elephants River Water Users Association
LOGIS	Logistical Information System
m	Million
Mg	Mega byte
MSP	Master Systems Plan
Oracle	Computer programme language
PFMA	Public Finance Management Act, 1999 (Act 1 of 1999 as amended)
PPE	Property, Plant and Equipment
S & T	Subsistence and Travel
SDIP	Service Delivery Improvement Plan

# INDEX

## PART 1 ORGANISATIONAL STRUCTURE

1

## PART 2 GENERAL INFORMATION

2

Submission of Annual Report to the Executive Authority ..... 2

Legislative Prescripts ..... 2

Historic Perspective ..... 2

Vision and Mission ..... 3

Strategic Goals ..... 3

Introduction by the Head: Government Motor Transport ..... 4

Challenges Ahead ..... 5

Going Concern Basis ..... 5

Corporate Governance ..... 5

## PART 3 PROGRAMME PERFORMANCE

6

Introduction ..... 6

Service Delivery ..... 6

## PART 4 HUMAN RESOURCES MANAGEMENT

9

Expenditure ..... 9

Employment and Vacancies ..... 9

Job Evaluation ..... 9

Employment Changes ..... 10

Reasons why staff left ..... 10

Employment Equity ..... 11

Performance Rewards ..... 11

Leave Utilisation ..... 12

HIV/Aids and Health Programmes ..... 12

Labour Relations ..... 12

Skills Development ..... 13

Injury on Duty ..... 14

Utilisation of External Resources ..... 14

## PART 5 REPORT BY THE AUDIT COMMITTEE

15

## PART 6 ANNUAL FINANCIAL STATEMENTS

17

Statement of Responsibility ..... 17

Report of the Auditor-General ..... 18

Accounting Officer's Report ..... 20

Income Statement ..... 28

Balance Sheet ..... 29

Statement of Changes in Equity ..... 30

Cash Flow Statement ..... 31

Accounting Policies ..... 32

Notes to the Annual Financial Statements ..... 36

## LIST OF TABLES

TABLE 1 Main Service Provided and Standards ..... 6

TABLE 2 Consultation Arrangements with Clients ..... 7

TABLE 3 Service Delivery Access Strategy ..... 7

TABLE 4 Service Information Tool ..... 7

TABLE 5 Complaints Mechanism ..... 8

TABLE 6 Salaries, Overtime, Homeowner's Subsidies, Medical Aid Assistance and Performance Rewards ..... 9

TABLE 7 Employment and Vacancies by Salary Band ..... 9

TABLE 8 Job Evaluation Results by Salary Band ..... 9-10

TABLE 9 Employment Changes by Salary Band ..... 10

TABLE 10 Reasons why staff left ..... 10

TABLE 11 Employment Equity by Occupational Category ..... 11

TABLE 12 Performance Rewards made by Salary Band ..... 11

TABLE 13 Leave Utilisation by Salary Band ..... 12

TABLE 14 Outcome of Disciplinary Hearings ..... 13

TABLE 15 Types of Misconduct ..... 13

TABLE 16 Grievances Lodged ..... 13

TABLE 17 Skills Development ..... 13

TABLE 18 Injury on Duty ..... 14

TABLE 19 System Configuration ..... 14

TABLE 20 Outsourced System Resources Utilised ..... 14

■ Senior Manager



■ Manager: Fleet Management



■ Manager: Fleet Logistics



■ Manager: Fleet Risk Management



■ Manager: Fleet Finance



## **2.1 SUBMISSION OF ANNUAL REPORT TO THE EXECUTIVE AUTHORITY**

The Annual Report for the period 1 April 2004 to 31 March 2005 is herewith submitted to the member of the Executive Council responsible for Transport and Public Works in terms of the Public Finance Management Act, 1999 (Act 1 of 1999).

## **2.2 LEGISLATIVE PRESCRIPTS**

The achievement of the strategic goals are guided by the following constitutional and other legislative mandates, functional mandates as well as a service delivery improvement programme:

Administrative Justice Act, 2000 (Act 3 of 2000)  
Adult Basic Education and Training Act, 2000 (Act 52 of 2000)  
Basic Conditions of Employment Act, 1997 (Act 75 of 1997)  
Code of Conduct  
Collective Agreements  
Employment Equity Act, 1998 (Act 55 of 1998)  
Employment of Education and Training Act, 1998 (Act 76 of 1998)  
Further Education and Training Act, 1998 (Act 98 of 1998)  
General and Further Education and Training Quality Assurance Act, 2001 (Act 58 of 2001)  
Labour Relations Act, 1995 (Act 66 of 1995)  
National Archives Act, 1996 (Act 43 of 1996)  
National Education Policy Act, 1996 (Act 27 of 1996)  
National Treasury Regulations  
Occupational Health and Safety Act, 1993 (Act 85 of 1993)  
Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)  
Promotion of Access to Information Act, 2000 (Act 2 of 2000)  
Provincial Treasury Instructions  
Public Finance Management Act, 1999 (Act 1 of 1999 as amended by Act 29 of 1999)  
Public Service Act, 1994 (Act 103 of 1994)  
Public Service Regulations, 2001  
Public Service Staff Code  
Skills Development Act, 1998 (Act 97 of 1998)  
Skills Development Levies Act, 1999 (Act 9 of 1999)  
South African Qualifications Act, 1995 (Act 58 of 1995)  
South African Qualifications Regulations  
The Constitution of the Western Cape, 1998 (Act 20 of 1998)  
The Constitution, 1996 (Act 103 of 1996)  
Western Cape Road Traffic Act, 1998 (Act 12 of 1998)

## **2.3 HISTORIC PERSPECTIVE**

Historically the national Department of Transport managed the government transport function from a centralised base since the early fifties. Research revealed that the first transport circular that regulated the use of vehicles was issued in 1954. In terms of Transport Circular 1 of 1988, issued by the national Department of Transport the functions in respect of government motor transport were transferred to the then provincial administrations. National Cabinet approved such transfer of functions as from 1 April 1988. These functions have been derived from section D.IV of the Public Service Staff Code, which is still applicable in terms of Section 42 of the Public Service Act, 1994. The previous government garages were amalgamated into the present Government Motor Transport (GMT). GMT forms part of the Department of Transport and Public Works and operates as a separate Trading Entity.

The trading activities of GMT focus mainly on the provision of state vehicles to national and provincial departments used for transportation in order that each department may carry out its services efficiently and effectively. The fleet of 3 832 vehicles are allocated to the user departments for a period equal to the economical life cycle of each class or type of vehicle. A part of the fleet (545) vehicles are allocated on a relief and temporary basis from a general pool. In return GMT charges a daily and a kilometre tariff (user charges) on the vehicles to cover the capital, running and overhead costs and does not make use of voted funds. At the end of the economical life cycle of a vehicle, it is withdrawn from service and replaced with a new one. The old vehicles are sold monthly at a public auction.

## 2.4 VISION/MISSION

The Vision is set as the best motor transport service. The following Mission was accepted to support the vision: To strive to become the leader in Government Motor Transport by providing quality, integrated and cost effective motor transport to provincial and national departments inclusive of a pleasant, safe and interactive environment where staff are offered the opportunity of development and self-improvement.

## 2.5 STRATEGIC GOALS

GMT's strategic goals together with the progress made to date are summarised below:

- **Ensure that the fleet is kept within its life expectancy.** The fleet replacement process was maintained during the past year. Only 7.5% of the vehicles are not within the economic life cycle and will be addressed in future years.
- **Improve vehicle management and control.** The fitment of a vehicle tracking and control system in the vehicles of the provincial Emergency Medical Service and Traffic was only 43% completed at year-end. A delay was experienced due to the late awarding of the contract. The functionality was focussed to enhance operational efficiency with a specific focus on reducing operational costs. Research results indicate without any doubt that this is the most effective means by which the Government could facilitate its needs in the future. The project will be rolled-out further in the next financial year.
- **Recovery of all outstanding debt.** A strong emphasis was placed on the follow-up of old outstanding debt from user departments. The amount has decreased from R45 m in the 2003/04 financial year to R29 m at year-end. The majority of this dates back to the split of the previous Cape Province into three provinces. The final follow-up process will be finalised in the next financial year to bring this to a closure.
- **Development and implementation of effective business processes.** GMT revisited its business processes during the year and made changes to ensure the continuation of effective service delivery standards. Service level agreements will be entered into with the user departments during the next year. All operational procedures and policy changes were issued as circulars in an electronic format and published on the Intranet.
- **Improve and enhance electronic systems.** The functionality of the fleet management system (FleetMan) was enhanced as planned to be in line with the business processes.
- **Improve quality of service to user departments.** User department forums met on a monthly basis as planned to manage operational and financial issues. The yearly user survey that was conducted measured the following aspects:
  - Friendliness and co-operativeness of staff
  - Reception and successful solving of complaints
  - Communication, in writing and verbal
  - Training and assistance
  - Availability of vehicles in general
  - Timely replacement of vehicles
  - Condition (neatness and roadworthiness of vehicles on reception)
  - Log sheet procedures
  - Accuracy of accounts

General impression and attitude

New and innovative initiatives

Processing of claims and losses

Direction of management

The results of the survey indicated an acceptable level of client satisfaction. The survey will be repeated in the next year.

- Empower user departments to manage their vehicles better. In order to empower the departmental transport officers, GMT conducted training on twenty-six days. Furthermore, the web enabled version of the fleet management system (i-FleetMan) was also made available to users.

## **2.6 INTRODUCTION BY THE HEAD: GOVERNMENT MOTOR TRANSPORT**

The year under review was characterised by both improvements to service levels but also the further transformation of the traditional government garage to a more service orientated fleet management service.

At national level the Senior Manager participated in the Co-ordinating Committee for Government Motor Transport (CCGMT) as the responsible sub-committee of the governmental COTO structure, together with the national Department of Transport, other Provinces, the South African Police Service and the South African National Defence Force. A major set back that contributed towards the further fragmentation of fleet management in the government sector was the withdrawal of Correctional Services from the GMT fleets in all the Provinces. The latter opted to manage the fleet internally as a result of the inconsistency in the fleet models in the Provinces that varies from trading entities, outsourced fleets and departmental managed options. CCGMT has since decided to formulate a strategy in support of the route of the trading entity as the preferred and most cost effective option for the management of government fleet services. Furthermore, this matter will be pursued under the auspices of CCGMT during the 2005/06 financial year to ensure a cost benefit for government as a whole. The Western Cape's fleet management system FleetMan has also been demonstrated to the other members of CCGMT for future deployment to assist with the management function.

During the year GMT furthered the eFuel project in the fleet. The positive spin-off from this initiative has culminated in a noticeable decrease in fuel fraud. The flag ship project into the research of the benefits of vehicle tracking and control was completed and the successful contractor was appointed in January 2005. The fitment has commenced and will be finalised in the next year. A separate project will be implemented in the next financial year across the entire fleet.

As part of the GMT drive to contain the ever increasing overhead cost of fleet services it was decided to investigate the vehicle maintenance management function as an internal option on termination of the present contract on 31 September 2005. This option could result in a saving in the region of R10 m per annum that would be utilised to improve the service to the benefit of user departments.

During the year GMT has also been confronted with the effect of the increased risk element of the fleet. It was realised, more than ever before, that more attention would have to be devoted towards advance driver training to address the main cause of accidents. The process of loss recovery was amended to claim excess payments from user departments in an attempt to obtain additional income to settle accident costs not recovered from third parties and the tariff structure.

Service delivery was negatively affected as a result of the slow reconciliation of the accounting process after billing takes place. This resulted in extensive over time that had to be worked to enable a successful book closure at the end of the financial year. To address the qualification by the Auditor-General at the 2003/04 financial year contracted assistance had to be used to convert the Annual Financial Statements in accordance with Statements of Generally Accepted Accounting Practice (GAAP). Previously the financial statements have been prepared using the cash basis of accounting. The implementation of an accounting system that meets the requirements of GAAP will be investigated further in the next financial year.



## 2.7 CHALLENGES AHEAD

GMT will only be a successful trading entity in the years to follow if it –

- can meet the present day requirements of its user departments when requested;
- performs at a cost effective level;
- further improve the service standards and efficiency levels;
- utilises FleetMan as a management tool to regulate activities;
- develops the human capital to the advantage of service to the user departments;
- undertakes further research and development to ensure most effective/economical vehicles for the task, and
- transform the business processes and adapt electronic systems (accounting and operational) successfully to meet the requirements of GAAP fully before the next year-end closure on 31 March 2006.

It is my sincere opinion that GMT has the ability to deal with the challenges above in the best possible way and would like to thank my colleagues for loyal and dedicated support during the past year. Be assured that GMT will fulfil its vision to become the leader in government motor transport.

## 2.8 GOING CONCERN BASIS

The Trading Entity functioned in terms of the legislative prescripts prescribed in the Public Finance Management Act, 1999 (Act 1 of 1999 as amended by Act 29 of 1999) and the related Treasury Regulations. The service has been assessed and it is hereby confirmed that it will continue as a going concern in the next financial year.

## 2.9 CORPORATE GOVERNANCE

A Risk Assessment was conducted on the operations of GMT during July 2004. The weaknesses in controls and business risks were identified by means of process and control mapping. The findings together with the remedial steps taken in addressing the identified shortcomings will be implemented in terms of the Operational Internal Audit Plan 2004/05 for the Department of Transport and Public Works (as a whole).

The introduction of the eFuel devices in vehicles is a further measure to prevent fraudulent fuelling transactions.

The tracking and control system deployed in the fleet will also contribute in the prevention of unauthorised trips and the effective management of traffic offences and misuse of vehicles.

GMT has implemented a system to manage the possible conflict of interests of employees by ensuring that the national policy that regulates this matter is brought to every staff member's attention. The necessary approvals have been processed where staff members receive income, over and above official remuneration.

**3.1 INTRODUCTION**

The following statistical information with regard to the performance of the Trading Entity is published in terms of Chapter 1, Part III J.3 of the Public Service Regulations, 2001 and has been prescribed by the Minister for the Public Service and Administration for all State departments.

**3.2 SERVICE DELIVERY**

The following tables are an extract from the transversal Service Delivery Improvement Plan (SDIP) published by the Department of Transport and Public Works together with achievements to date:

**TABLE 1 MAIN SERVICE PROVIDED AND STANDARDS**

Main Services	Actual Clients	Potential Clients	Standard of Service	Actual Achievement
Provide a government motor transport service	National and provincial user departments.  Political office bearers and private service providers	Government departments managing internally or utilising outsourced fleets.	Renewal, maintenance and repair of vehicle fleet.  Collection of user tariffs and outstanding debts.  Disposal of redundant vehicles.  Ensure user satisfaction.	A full time report line was introduced to facilitate the reporting and follow-up of alleged fraud and misuse of Government vehicles;  A yearly user satisfaction survey was undertaken.  Users forums are maintained.  A web-enabled fleet management system was further rolled out to users.  A debtor management module was integrated into the fleet management system to assist with debt age analysis, billing and identification of funds via electronic fund transfers. The fleet management system updates the Accounting Officer, CFO, Head of the Trading Entity with the status of the Trading Account;  The fleet management system has been enhanced and upgraded to ensure efficient management tools.

**PART 3 | PROGRAMME PERFORMANCE (CONTINUE)**

**TABLE 2 CONSULTATION ARRANGEMENTS WITH CLIENTS**

Type of Arrangement	Actual Clients	Potential Clients	Actual Achievements
Organised Labour forums	Employees within GMT	Affected staff from other departments	Regular meetings between Management and employee representatives at the Departmental IMLC
Workplace Skills Development Committees	Employees within GMT and Service Providers	Service Providers	The Workplace Skills Development Committees meet on a regular basis.
Circulars	Employees within GMT and user departments	Affected staff from other departments	New policies, procedures and processes with an internal focus were communicated with staff members through internal communication memo's and circulars (electronic as well as paper based).
Committees, forums and meetings	Employees within GMT, merchants and other service providers	Committees	Various forums were established to facilitate buy-in and decision making on appropriate levels.

**TABLE 3 SERVICE DELIVERY ACCESS STRATEGY**

Access Strategy	Actual Achievements
GMT adapted its organisation internally to meet service delivery demands from user departments	GMT consults with its users on a regular basis

**TABLE 4 SERVICE INFORMATION TOOL**

Types of Information Tool	Actual Achievements
GMT published several reports, circulars and procedure manuals.	This is an ongoing process that improves continuously. It includes the distribution of internal communication in electronic format.
Participating in exhibitions.	Electronic systems were demonstrated at exhibitions to promote functional activities.
Establishment of various help desk facilities	The following Helpdesks were operational at GMT: - General enquiries. - Technical enquiries. - Misuse and incident reporting.
Electronic publications	Publications on Intranet. Roll out of i-FleetMan to user departments.

**TABLE 5 COMPLAINTS MECHANISM**

Complaints Mechanism	Actual Achievements
<p>A dedicated full time telephone report line staffed on a 7/24/365 basis is available to the public to report any alleged misuse of Government vehicles.</p>	<p>During the year 766 cases of complaints were recorded in FleetMan and followed up with user departments. Feedback is given when requested. Misuse of State property is a serious matter and leads to misappropriation of funds. Risk profiles are drawn and issued to user departments for the necessary action.</p>
<p>Traffic violations incurred with Government vehicles are received by GMT and processed.</p>	<p>During the year 4 520 cases of traffic violations were recorded in FleetMan and followed up with user departments. Feedback is given when requested. Drivers involved in traffic violations are held responsible for the settlement of fines. Risk profiles are drawn and issued to user departments for the necessary action.</p>

**PART 4 | HUMAN RESOURCES MANAGEMENT**

**4.1 EXPENDITURE**

The following table provides a summary of expenditure incurred as a result of salaries, overtime, home owner's subsidies, medical aid assistance and performance rewards.

**TABLE 6 SALARIES, OVERTIME, HOMEOWNER'S SUBSIDIES, MEDICAL AID ASSISTANCE AND PERFORMANCE REWARDS**

Salary Band	Number of Staff	Salaries R'000	Overtime R'000	Home Owners Subsidies R'000	Medical Aid Assistance R'000	Performance Rewards R'000
Level 1 to 13	100	7 374	169	386	747	181

**4.2 EMPLOYMENT AND VACANCIES**

The following table provides a summary of the number of employees, number of posts on the establishment, number of vacant posts and whether there are any staff that are additional to the establishment:

**TABLE 7 EMPLOYMENT AND VACANCIES BY SALARY BAND**

Salary Band	Number of Posts	Number of Employees	Staff Additional to Establishment	Vacant Rate
Level 1 – 2	20	17	0	15%
Level 3 – 6	62	54	0	13%
Level 7 –9	25	24	0	4%
Level 10 – 11	4	4	0	-
Level 13	1	1	0	-
<b>Total</b>	<b>112</b>	<b>100</b>	<b>0</b>	<b>11%</b>

**4.3 JOB EVALUATION**

The following table provides a summary of the number of jobs that were evaluated during the year under review as well as the number of posts that were upgraded or downgraded:

**TABLE 8 JOB EVALUATION RESULTS BY SALARY BAND**

Salary Band	Number of Posts	Number of Jobs Evaluated	Number of Posts Upgraded	Number of Posts Downgraded	Number of Posts Unaffected	Number of Cases Remuneration Exceeds Grading
Lower Skilled Level 1 – 2	20	20	0	6	14	17
Skilled Level 3 – 6	62	62	14	16	32	16

**PART 4 | HUMAN RESOURCES MANAGEMENT (CONTINUE)**

**TABLE 8** JOB EVALUATION RESULTS BY SALARY BAND (CONTINUE)

Salary Band	Number of Posts	Number of Jobs Evaluated	Number of Posts Upgraded	Number of Posts Downgraded	Number of Posts Unaffected	Number of Cases Remuneration Exceeds Grading
Highly skilled Production Level 7 –9	25	25	20	2	3	2
Highly Skilled Supervision Level 10 – 11	4	4	4	0	0	0
Senior Management	1	1	0	0	1	0
<b>Total</b>	<b>112</b>	<b>112</b>	<b>38</b>	<b>24</b>	<b>50</b>	<b>35</b>

**4.4 EMPLOYMENT CHANGES**

The following table provides a summary of employment changes:

**TABLE 9** EMPLOYMENT CHANGES BY SALARY BAND

Salary Band	Number of Posts	Appointed in GMT	Termination and/or Transferred out of GMT
Lower Skilled (Level 1 – 2)	20	0	0
Skilled (Level 3 – 6)	62	0	1
Highly Skilled Production (Level 7 – 9)	25	0	0
Highly Skilled Supervision (Level 9 – 10)	4	0	0
Senior Management	1	0	0
<b>Total</b>	<b>112</b>	<b>0</b>	<b>1</b>

**4.5 REASONS WHY STAFF LEFT**

The following table provides a summary of the major reasons why staff left GMT:

**TABLE 10** REASONS WHY STAFF LEFT

Termination Type	Number	% of Total
Discharged due to ill health	1	1%

**PART 4 | HUMAN RESOURCES MANAGEMENT (CONTINUE)**

**4.6 EMPLOYMENT EQUITY**

The following table provides a summary of employees (including employees with disabilities) in each of the following occupational categories

**TABLE 11 EMPLOYMENT EQUITY BY OCCUPATIONAL CATEGORY**

Category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Manager	0	0	0	1	0	0	0	0	1
Manager	0	1	0	2	0	0	0	1	4
Assistant Manager	0	3	0	9	0	1	0	1	14
Technical Assistant	0	0	0	10	0	0	0	0	10
Administrative Assistant	1	13	0	13	1	18	0	8	54
Technical Aid and Driver	2	11	0	0	0	0	0	1	14
Messenger	1	1	0	0	0	1	0	0	3
Disabled	0	1	0	2	0	0	0	0	3

**4.7 PERFORMANCE REWARDS**

The following table provides a summary of performance rewards made:

**TABLE 12 PERFORMANCE REWARDS MADE BY SALARY BAND**

Salary Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Lower skilled (Level 1-2)	1	5	0	0	0	0	0	1	7
Skilled (Level 3-6)	0	4	0	0	0	9	0	2	15
Highly Skilled Production (Level 7-9)	0	1	0	1	0	0	0	1	3
Highly Skilled Supervision (Level 10-11)	0	1	0	2	0	0	0	1	4
Senior Management	0	0	0	1	0	0	0	0	1
<b>Total</b>	<b>1</b>	<b>11</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>5</b>	<b>30</b>

**4.8 LEAVE UTILISATION**

The following table provides a summary of leave utilisation:

**TABLE 13 LEAVE UTILISATION BY SALARY BAND**

Salary Band	Vocational Leave			Sick Leave		Disability Leave	
	Days Vocational Leave Utilized	Days Vocational Leave not Utilized	Estimated Cost (R)	Days Sick Leave Utilized	Estimated Cost (R)	Days Disability Leave not Utilized	Estimated Cost (R)
			R'000		R'000		R'000
Lower Skilled (Level 1 – 2)	428	37	5	205	30	0	0
Skilled (Level 3 – 6)	1267	119	34	559	131	249	58
Highly Skilled Production (Level 7 – 9)	643	47	20	233	208	9	8
Highly Skilled Supervision (Level 10 – 11)	140	0	0	30	22	0	0
Senior Management	31	0	0	6	11	0	0
<b>Total</b>	<b>2 509</b>	<b>203</b>	<b>59</b>	<b>1 033</b>	<b>402</b>	<b>249</b>	<b>66</b>

**4.9 HIV/AIDS AND HEALTH PROGRAMMES**

The staff of the Entity was exposed to a HIV/Aids awareness programme and the main focus was to create an understanding and awareness for HIV/Aids. The performance results are as follows:

- Management and staff attended training courses presented by the departmental co-ordinator in conjunction with a private service provider.
- Condoms and brochures/posters were placed in ablution facilities.
- The staff member on the departmental HIV/Aids Focal Unit Committee gave regular feedback to management and staff after monthly meetings.

**4.10 LABOUR RELATIONS**

The following table provides a summary of the misconduct and disciplinary hearings:



**PART 4 | HUMAN RESOURCES MANAGEMENT (CONTINUE)**

**TABLE 14** OUTCOME OF DISCIPLINARY HEARINGS

Outcome of Disciplinary Hearings	Number	% of Total
Final written warnings	1	1%
Suspended without pay	1	1%
Dismissals	1	1%
Cases withdrawn	1	1%

The following table provides a summary of the types of misconduct addressed at disciplinary hearings:

**TABLE 15** TYPES OF MISCONDUCT

Type of Misconduct	Number	% of Total
Excessive absenteeism	1	1%
Fraud	2	2%
<b>Total</b>	<b>3</b>	<b>3%</b>

**TABLE 16** GRIEVANCES LODGED

Grievances lodged	1
Grievances solved	0
Grievances not solved	1

**4.11 SKILLS DEVELOPMENT**

The following table provides a summary of the efforts with regards to skills development:

**TABLE 17** SKILLS DEVELOPMENT

Type of Course	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
LOGIS & BAS	1	2	-	2	-	4	-	5	14
Administrative by Cape Administrative Academy	1	11	-	6	1	6	-	15	40
Computer Systems	1	11	-	18	1	11	-	5	47

**PART 4 | HUMAN RESOURCES MANAGEMENT (CONTINUE)**

**4.12 INJURY ON DUTY**

The following table provides a summary of the cases reported and dealt with:

<b>TABLE 18 INJURY ON DUTY</b>		
Nature of Injury	Number	% of Total
Required basic medical attention	3	3%
Temporary disablement	1	1%

**4.13 UTILISATION OF EXTERNAL RESOURCES**

GMT utilised the services of external/outsourced computer system development resources to assist with the upkeep and enhancement of FleetMan. The provincial government’s Centre for e-Innovation could not supply these resources. FleetMan that originates in 1989 from a Clipper developed system was replaced in the late nineties by an Oracle based system to support GMT’s core business activities namely vehicle procurement, fleet management, fleet logistics, fleet finance and fleet risk management. It assists GMT in providing cost-effective quality transport services to the provincial and national user departments and improving service delivery.

To further assist with the prevention of unauthorised fuel transactions in combating fraud, an electronically based fuel purchasing technology facility (eFuel) was introduced. The latter’s transaction data was integrated with FleetMan. Further development during the year under review focused on enhancing GMT service delivery to departments eg the integration of the financial module resulting in a more professional debt management system and invoicing procedure in compliance with prescripts.

The web enabled version [i-FleetMan] was further developed, which enable real-time fleet management at departmental level currently with a specific focus on expenditure management e.g. fuel/oil/maintenance/repair and the capturing of log sheet data. The external maintenance management service provider transaction data was also integrated with FleetMan. FleetMan consists of the following:

<b>TABLE 19 SYSTEM CONFIGURATION</b>	
Facility	Quantum
Screens	111
Reports	151
Tables	542
Records	15 142 541
Space utilized	379 Mb
Database	4.2 Gb

The following table provides a summary of the outsourced resources utilised during the past year:

<b>TABLE 20 OUTSOURCED SYSTEM RESOURCES UTILISATION</b>	
Resource Type	Quantum/Hours
System Development	7 924
System Management	3 154

**SHARED AUDIT COMMITTEE REPORT FOR THE FINANCIAL YEAR ENDING 31 MARCH 2005**

**We are pleased to present our report for the above-mentioned financial year.**

**Appointment of the Shared Audit Committee**

The Trading Entity: Government Motor Transport is served by a Shared Audit Committee which has oversight over the Department of Transport and Public Works in terms of Cabinet Resolution 75/2003 of 23 June 2003 for the 2 year period to 31 March 2005 extended by Resolution 95/2005 for 2 more years to 31 March 2007.

**Audit Committee Members and Attendance**

The Shared Audit Committee members attended meetings during the financial year under review, in terms of their adopted Audit Charter, as indicated below:

<b>Member</b>	<b>Number of Meetings Attended</b>
Mr J.A. Jarvis (Chairperson)	5
Mr J. January	5
Mr V.W. Sikobi (resigned May 2005)	1
Mr R. Warley	4
Mr. P. Jones (appointed April 2005)	0

**Audit Committee Responsibility**

The Audit Committee has complied with its responsibilities arising from section 38(1) (a) of the PFMA and Treasury Regulation 3.1.13 and 27(1) (10). The Audit Committee has also regulated its affairs and discharged its responsibilities in terms of the Audit Committee Charter. However it did not address internal audit issues as envisaged in its Charter and the PFMA, due to the suspension of Internal Audit activity in 2003 (Provincial Treasury Circular No. 25/2003).

**Effectiveness of Internal Control**

In 2004 the Sihluma Sonke Consortium was appointed to develop and transfer internal audit skills to the Provincial Government over a three-year period.

The assessment of Internal Controls by Internal Audit was suspended in 2003 and the Operational Internal Audit Plan rescheduled to commence in 2005/6, following completion of the Risk Assessment and Process and Control Mapping exercises.

In view of the above the Audit Committee has had to rely on the opinions and work done by the Auditor General in preparing this report.

The Audit Committee noted that the delay in the finalisation of the Auditor General’s Report was caused by the late submission of the Annual Financial Statements, which were made compliant with Generally Accepted Accounting Practice (GAAP). This involved the conversion of all transactions from a cash basis to an accrual basis as required by section 18.2 of the Treasury Regulations.

The Audit Committee commends the Accounting Officer on the two-year plan to fully implement the migration from a cash to accrual accounting system. The Audit Committee has resolved to meet with the Accounting Officer to review progress in this regard.

During the year under review the Audit Committee has promoted better communication and exchange of information between the Forensic Audit, Internal Control units, Internal Audit, and the Office of the Auditor-General.

### **Evaluation of Financial Statements**

The Audit Committee has:

- Reviewed and discussed with the Auditor-General and the Accounting Officer (or his/her representative) the audited annual financial statements to be included in the annual report.
- Reviewed the Auditor-General's management letters and the responses thereto.
- Reviewed significant adjustments resulting from the audit.
- Reviewed the Auditor-General's report.

The Audit Committee concurs and accepts the Audit Opinion of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor General.

### **Appreciation**

The Audit Committee wishes to express its appreciation to the Provincial Treasury, Officials of the Department, the Auditor-General and the Sihluma Sonke Consortium for their assistance and co-operation in compiling this report.



**J.A. JARVIS**

**Chairperson of the Shared Audit Committee**

**Date: 30 August 2005**

for the year ended 31 March 2005

### STATEMENT OF RESPONSIBILITY

The Public Finance Management Act, 1999 (Act 1 of 1999), as amended, requires the Accounting Officer to ensure that Government Motor Transport of the Western Cape (GMT) keeps full and proper records of its financial affairs. The AFS should fairly present the state of affairs of GMT, its financial results, its performance against predetermined objectives and its financial position at the end of the year in terms of Generally Accepted Accounting Practice (GAAP).

The AFS are the responsibility of the Accounting Officer. The Auditor-General is responsible for independently auditing and reporting on the financial statements. The Office of the Auditor-General has audited GMT's AFS and the Auditor-General's Report appears on page 18.

The AFS have been prepared in accordance with Statements of Generally Accepted Accounting Practice (GAAP). These AFS are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates.

The Accounting Officer has reviewed GMT's budgets and cash flow forecasts for the year ended 31 March 2005. On the basis of the review, and in view of the current financial position, the Accounting Office has every reason to believe that GMT will be a going concern in the year ahead and has continued to adopt the going concern basis in preparing the AFS.

The Accounting Officer sets standards to enable management to meet the above responsibilities by implementing systems of internal control and risk management, where possible, that are designed to provide reasonable, but not absolute assurance against material misstatements and losses. The Trading Entity maintains internal financial controls to provide assurance regarding the -

- safeguarding of assets against unauthorised use or disposition, and
- maintenance of proper accounting records and the reliability of financial information used within GMT or for publication.

The controls contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention or the overriding of controls. An effective system of internal control, therefore, aims to provide reasonable assurance with respect to the reliability of financial information and the presentation of financial statements. However, because of changes in conditions, the effectiveness of internal financial controls may vary over time.

The Accounting Officer has reviewed GMT's systems of internal control and risk management for the period from 1 April 2004 to 31 March 2005. The Accounting Officer is of the opinion that GMT's systems of internal control and risk management were effective for the period under review, other than for the material losses, and irregular, fruitless or wasteful expenditure referred to in the Accounting Policies (number 5) on page 32 of the AFS.

In the opinion of the Accounting Officer, based on the information available to date, the AFS fairly present the financial position of GMT as at 31 March 2005 and the results of its operations and cash flow information for the year, and that the Code of Conduct has been adhered to.

The AFS for the year ended 31 March 2005, set out on pages 20 to 51, were submitted for auditing on 13 June 2005.

# REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL PARLIAMENT OF THE WESTERN CAPE ON THE FINANCIAL STATEMENTS OF THE GOVERNMENT MOTOR TRANSPORT TRADING ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

## 1. AUDIT ASSIGNMENT

The financial statements as set out on pages 20 to 51, for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

## 2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

I believe that the audit provides a reasonable basis for my opinion.

## 3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Government Motor Transport Trading Account at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting practise and in the manner required by the Public Finance Management Act, 1999 (Act No 1 of 1999).

## 4. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

### 4.1 Late Submission of Annual Financial Statements

Due to the entity changing the presentation of the annual financial statements for the 2004/05 financial year from a cash basis of accounting to an accrual basis of accounting as required by section 18.2 of the Treasury Regulations, the financial statements for the year under review was only submitted on 13 June 2005 and not 31 May 2005 as prescribed.

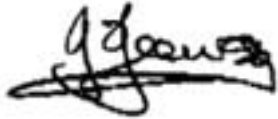
### 4.2 Delay In The Finalisation of The Audit Report

In terms of section 40(2) of the Public Finance Management Act, 1999 (Act No. 1 of 1999), the Auditor-General must audit the financial statements and submit an audit report on those statements to the accounting officer within two months of the receipt of the statements.

The audit report was not finalized in terms of the requirements stipulated above as additional audit work needed to be performed relating to the entity changing from a cash basis of accounting to an accrual basis of accounting.

**5. APPRECIATION**

The assistance rendered by the staff of the Government Motor Transport Trading Account during the audit is sincerely appreciated.



**for Auditor-General**

**Cape Town**

**18 August 2005**



**AUDITOR-GENERAL**

## ACCOUNTING OFFICER'S REPORT

### 6.1 GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

#### 6.1.1 Government Motor Transport Origin

All Government motor transport activities prior to 1988 were managed by the national Department of Transport. However, during June 1988 the provincial authorities of the day were commissioned by the National Cabinet to perform these functions by the respective government garages. The provincial Government that inherited this competency from the pre 1994 dispensation later transformed the functions into Government Motor Transport (GMT) as a fleet management agency. The organisation operates within the administration of the Department of Transport and Public Works and is responsible for the execution of the fleet functions with regard to management, logistics, finance and risk. All operations are managed within a Trading Account environment.

#### 6.1.2 Accrual Accounting

GMT naturally progressed from a Trading Account to a Trading Entity since the implementation of the PFMA on 1 April 2000. In terms of Treasury Regulation 18.2 the Annual Financial Statements (AFS) of trading entities must conform to Generally Accepted Accounting Practice (GAAP). The 2003/04 AFS of GMT was qualified by the Auditor-General for not conforming to this requirement. This Trading Entity could not record its financial transactions to conform to GAAP as the accounting systems (BAS and previously FMS) are cash based while GAAP requires an accrual based accounting system. All transactions are recorded on BAS. The acquiring of a financial accounting system that complies with GAAP requires further work.

Subsequent to the qualification of the 2003/04 AFS the following remedial steps within the accounting system constraints were introduced to address the non-compliance and compilation of the 2004/05 AFS of this Trading Entity in accordance with the standards of GAAP:

- The preparation of a separate GAAP compliance implementation framework.
- The preparation of AFS for 2004/05 including accounting policies.
- The compilation of Accounting Standard operating procedures.
- The transferring of skills integrated with the process in the aforementioned steps.

The expert knowledge and skill of a chartered accountant was contracted to assist. The financially related issues were addressed to enable the closure of the books at the end of the 2004/05 financial year and the required AFS. The books were successfully closed-off on 28 April 2005, however serious unforeseen technicalities were experienced in the GAAP conversions that delayed the submission of the AFS.

#### 6.1.3 The Impact of the Implementation of GAAP

The following information is included in the AFS for the first time:

##### Provisions

Provision is made for doubtful debt. Provision was made where there is an indication that the department will not settle its debt within the next financial year. However, debt will only be considered for write-off where transactions cannot be substantiated with appropriate supplementary documentation. Inter governmental structures will be utilised to assist in the recouping of outstanding debt.

Provision is also made for undiscounted capped leave not paid out as yet, based on current salary levels.

##### Reserve Funds

This represents the unspent funds paid by the user departments as part of the daily tariffs in the 2004/2005 financial year in respect of the replacement of vehicles. These funds were previously surrendered and recognised in the books of account of the Department of Transport and Public Works.



#### **6.1.4 Debtor Management**

In preparation to meet the requirements of GAAP during September 2003 GMT commenced with the adjustment of the stand-alone debtor management system, which only reflected income (monies received on a cash basis), to an integrated accrual base system, that would be able to reflect revenue.

The development of this system entailed integration with FleetMan, which took longer than expected due to the complexity of the billing process. The new facility was successfully implemented in September 2004 and billing for the 2004/2005 financial year could only commence soon thereafter for the first time.

#### **6.1.5 New Accounting System**

GMT also experienced shortcomings with the change over from FMS to BAS with effect from 1 April 2004. The required control accounts could only be created later in the financial year that resulted in back logs that had to be cleared and recorded on BAS before reconciliation on FleetMan and follow-up of debtors could commence. GMT had to institute interim measure and made use of a manual follow-up process that resulted in errors that had to be adjusted later.

The follow-up also commenced too close to year-end closure. The Accounts Receivable, i.e. the debtors has increased compared to the 2003/04 financial year.

#### **6.1.6 Withdrawal of Vehicles**

As from 1 April 2004, the Department of Correctional Services, as part of a national decision opted to manage the 618 vehicles allocated to them departmentally. The net result of Correctional Services leaving the fleet amounted to an estimated R11 m loss in income towards the Trading Account earmarked for overhead cost expenditure. With the transfer of the vehicles a book value loss of R24 m was incurred that was recorded as a write-off. The withdrawal of these vehicles will result in an unrealistic increase in the contribution per vehicle towards the overhead costs.

### **6.2 SERVICES RENDERED**

#### **6.2.1 Composition of Fleet**

GMT renders a fleet management agency service to national and provincial departments and related State institutions by providing and sharing its expertise gained in its various fleet administration sectors. The fleet consists of permanently allocated vehicles and temporary/relief vehicles. At the close of the financial year under review there were 3 832 vehicles in the fleet. During the course of the year 486 replacement and 133 additional vehicles were purchased. The fleet is compiled as follows:

**PART 6 | ANNUAL FINANCIAL STATEMENTS (CONTINUE)**

for the year ended 31 March 2005

<b>Provincial Departments</b>	
Agriculture	166
Cape Nature	171
Community Safety	358
Cultural Affairs & Sport	76
Economic Development	8
Education	422
Environmental Affairs & Development Planning	25
Gambling & Racing Board	1
Health	978
Local Government	52
Housing	12
Parliament	4
Premier	24
Social Services & Poverty Alleviation	324
Transport and Public Works	136
Government Motor Transport (General Pool)	545
Treasury	11
<b>Sub total</b>	<b>3 313</b>

<b>National Departments</b>	
Agriculture	4
Environmental Affairs & Tourism	123
Foreign Affairs	1
Government Communication Information Service	5
Home Affairs	33
Independent Complaints Directorate	5
Justice	120
Labour (Service Products)	2
Land Affairs	30

**PART 6 | ANNUAL FINANCIAL STATEMENTS (CONTINUE)**

for the year ended 31 March 2005

<b>National Departments (Continue)</b>	
Mineral & Energy Affairs	1
Office of the Presidency	9
Parliament	3
Prosecuting Authority	14
Public Service Commission	1
Public Works	141
Treasury	2
Water Affairs (LERWUA)	25
<b>Sub total</b>	<b>519</b>
<b>Grand total</b>	<b>3 832</b>

**6.2.2 Fleet Management System**

The fleet management system (FleetMan) assists GMT in providing cost-effective quality transport services to the provincial and national user departments and improving service delivery. GMT's core business activities are supported by the system. It further effectively manages income and expenditure activities including fuel purchased, as well as the maintenance, repairs and sale of vehicles. FleetMan was developed in accordance with the Treasury's requirements for asset management. To further assist with the prevention of unauthorised fuel transactions, an electronically based fuel purchasing technology facility (eFuel) was introduced. It is essential to manage the fuel component that forms approximately 60% of the running cost of a vehicle effectively as the fleet travels in excess of 80 m kilometres per annum. The three staff members that were utilised previously to manage fuel fraud could be deployed elsewhere.

**6.2.3 Tracking and Control System**

A tracking and control system was implemented to enhance operational efficiency with specific focus on reducing operational costs. Since January 2005 the system was introduced to the Emergency Medical Service (EMS) and to Community Safety (Traffic vehicles). The remainder of the fleet will follow in the next financial year.

**6.2.4 Tariff Structure**

The user department's initial vehicle is purchased via a competitive procurement processes. Thereafter a daily tariff is charged to recover the replacement cost over the economic life cycles of the vehicles. The replacement cost is paid from the Capital Account (Replacement Fund) of GMT. To recoup the operating costs from user departments, a kilometre tariff was levied. Up to April 1999 this tariff was charged to recoup the running, replacement and the overhead costs. Subsequently, this tariff structure was amended to make provision for a daily tariff to cover the replacement and overhead costs. The kilometre tariff covers the running costs of the vehicles. With the introduction of the new tariff structure lower tariffs were levied against the Western Cape user departments. These differential tariffs initially commenced with the national users comprising 30% of the fleet. This situation has changed over the last four years as parts of the fleet were outsourced or managed otherwise by user departments. At present the vehicles of national user departments have decreased to make up only 13.7% of the fleet. Remedial steps have been instituted to phase out the differential tariffs over the next three to five years.

Approval was received for an 8% tariff increase in the year under review. This was found inadequate to cover the total fleet cost that has increased above inflation targets. The tariffs for the next year will be adjusted to cover the increased fleet cost. GMT will furthermore offer electronic solutions such as i-FleetMan to enable user departments to capture their own log sheets and an electronic cost calculator to ensure that departments pro-actively manage their budgets.

**6.3 CAPACITY CONSTRAINTS**

**6.3.1 Thefts and Hijacking of Vehicles**

The following schedule depicts the sharp increase in the theft and hijacking of State vehicles:

Financial year	Quantum	Replacement value
2003/04	14 Vehicles	R1 874 000
2004/05	22 Vehicles	R3 344 000

The thefts have a negative effect on service delivery as replacement vehicles have to be ordered and delivery periods cause delays. It therefore became necessary to institute remedial steps. Over and above the tracking and control service that was introduced to the Emergency Medical Service (EMS) and to Community Safety (Traffic vehicles) in January 2005, GMT made further arrangements to appoint a second contractor to equip the remainder of the fleet. It is envisaged that with the aid of the system, vehicles can be recovered successfully before they are moved over the borders of the Republic or taken to dismantling shops. A further advantage of the systems will be to manage the abuse (unauthorised use) of vehicles.

**6.3.2 Loss Control System**

The provincially based Loss Control System only makes provision to register losses. All incidents where vehicles are involved in accidents and/or losses occurred are registered on the System and information is updated on a continual basis as the cases progress, until finalised by way of recovery or write-off against the Trading Account. The System in its present form is inadequate to empower GMT to perform its risk management function and hampered effective service delivery to its user departments. It therefore became necessary to adjust FleetMan to incorporate the information from Loss Control in order to meet the requirements of a proper loss control system. GMT will be ready in the next financial year to report and generate adequate management reports and to plot trends that could be utilised to take pro-active steps as a preventative measure.

**6.3.3 Staff and Establishment Structure**

GMT underwent changes to its organisation and establishment structure to perform the following additional functions:

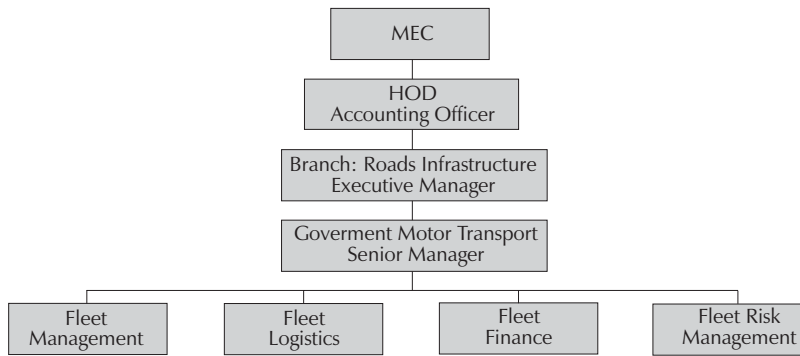
- Misuse report line.
- eFuel.
- Tracking and control.
- Vehicle checking and testing.
- Computer and systems support.
- Logistical services.
- Accrual accounting.
- Electronic billing.

However, with a flat establishment structure of 112 posts no new posts were created to perform these functions. Temporary internal arrangements were made to continue with the required service delivery standards. With a vacancy rate of 11% it was necessary to develop an action plan to address this shortcoming. The vacancies will be filled in the next financial year.

**6.4 TRADING ENTITY GMT**

**Accountability Arrangements**

The Head of the Department: Transport and Public Works is also the Accounting Officer for the Trading Entity. The organisation is depicted below:



The required performance agreements in terms of the prescripts by the National Department of Public Service and Administration were entered into with the management of GMT. Each staff member has an individual performance and development plan. To date the GMT strategic objectives were included in the Annual Strategic Plan of the Department of Transport and Public Works. A separate GMT Annual Strategic Plan will be published with effect from the 2006/07 financial year.

**6.5 NEW / PROPOSED ACTIVITIES**

GMT implementing the following new activities:

**(a) FleetMan and i-FleetMan**

GMT developed the fleet management system to serve as a core business tool in the execution of its functions. The system was enhanced during the year under review and the additional functionality will ensure an effective final product. Furthermore, a web enabled version of the system (i-FleetMan) to empower its user department was introduced. This facility that can also be accessed via the Intra and Internet is a major enhancement as the capturing of log sheets can now be done at departmental level where accurate vehicle inventory lists can now also be accessed.

This will speed up the billing process and supply budget information to departments soon after the debt is incurred. Further functionality and enhancements that forms part of the departmental Master Systems Plan will be undertaken in the next financial year. The necessary financial provision to cover the development cost was made within the operational budget of the Trading Entity.

**(b) FleetMan Debtor Module**

The previous stand-alone debtor management system was converted and integrated with FleetMan. The efficiency levels were improved as billing is now generated only from source documents. The new functionality also enhances accounting reporting for GAAP purposes, by indicating the financial year in which the various debts are raised and paid.

**(c) eFuel**

A total of 3 435 eFuel devices (90% of vehicles) have been fitted to the vehicle fleet. This initiative has assisted with the prevention of unauthorised fuelling transactions and therefore curbed unnecessary operational costs. All new vehicles are fitted with the devices. The necessary financial provision to cover the cost was made within the operational budget of the Trading Entity.

**(d) Tracking and Control System**

A tracking and control system was implemented into a specific part of the vehicle fleet in January 2005. A further roll out to the remainder of the fleet will continue in the next financial year. This project is aimed at enhanced service delivery, stable fleet expenditure and to enable user departments to manage their resources more effectively. The necessary financial provision to cover the cost was made within the operational budget of the Trading Entity.

**(e) Integration between eFuel and Tracking Devices**

It is planned in the new financial year to integrate the functionality of the eFuel and the tracking devices so that the supply of specific vehicle information directly after events can be routed to user departments. This will ensure a more pro-active management approach. It is also envisaged to capture the odometer readings via the tracking devices to replace the handing in and capturing of the present log sheets. This will save production time and speed-up the billing process. The integration forms part of the tender requirement and will not require additional funds.

**(f) Risk Management Module**

In February 2005 GMT started with it's own assessment and development of a risk management module within FleetMan, as the current Provincial Loss Control System could not accommodate the needs of the Trading Entity. It is envisaged that the enhanced system that forms part of the Master Systems Plan will be ready for implementation in the new financial year. The necessary financial provision to cover the development cost was made within the operational budget of the Trading Entity.

**(g) Service Level Agreement**

In August 2004 GMT started with the drafting of a service level agreement that will be entered into with its users departments to ensure effective service delivery. It is planned to finalise the process in the next financial year.

**(h) Client Care Centre**

GMT manages a dedicated telephone report line where incidents on alleged misuse of vehicle are reported on a 24 hour, 7 days a week and 365 days per year basis. Furthermore, separate help desks for general and technical enquiries are staffed and operated during general office hours. With the implementation of the vehicle tracking and control system, the need has arisen to establish a further facility to monitor alarms on distress calls and thefts and hijackings. GMT has commenced with the investigation to amalgamate these facilities into a centralised Client Care Centre. The necessary financial provision will be made within the operational budget of the Trading Entity.

**6.7 EVENTS AFTER THE REPORTING DATE**

- 6.7.1 A separate sub bank account was created within the Department of Transport and Public Works, for GMT with effect from 1 April 2005. This will improve reconciliation of debt.
- 6.7.2 Note 25 on page 51 refers to a disclosure of preliminary claims from 3<sup>rd</sup> parties against GMT as well as the estimated loss value with regard to Government vehicles after reporting date as non-adjusting events after the reporting date in the AFS.

**PART 6 | ANNUAL FINANCIAL STATEMENTS (CONTINUE)**

for the year ended 31 March 2005

**6.8 OTHER**

6.8.1 GMT migrated from the previous Financial Management System (FMS) to the Basic Accounting System (BAS) on 1 April 2004. BAS also requires that transactions be recorded in terms of the new Standard Chart of Accounts that differs from the FMS classifications. Information presented in the 2003/04 AFS will therefore differ to the comparative figures used for the 2003/2004 financial year as reflected in this report.

6.8.2 Accounting policies introduced has also resulted in other differences. The following material differences are of note:

- The FMS classified expenditure according to Standard Items. A Standard Chart of Accounts has been introduced in the BAS.
- Asset and Liability Accounts in BAS have replaced a system of Ledger Accounts in FMS.

**6.9 APPROVAL**

The Annual Financial Statements set out on pages 20 to 51 have been prepared in accordance with GAAP as prescribed in the Treasury Regulations, PFMA and relevant guidelines specified/issued by the National Treasury.



TW Manyathi  
**ACCOUNTING OFFICER**

**DATE:** 13 June 2005

**INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2005**

		2004/05	2003/04
	Notes	R'000	R'000
Revenue	2	143,740	148,718
Gross profit		143,740	148,718
Other income	3	19,094	14,111
		162,834	162,829
Administrative expenses	4	(17,451)	(25,212)
Staff costs	5	(10,646)	(10,779)
Financial transactions in assets and liabilities	6	(2,721)	(29,837)
Transfers and subsidies	7	(24)	(21)
Other operating expenses	8	(72,965)	(100,530)
Depreciation	9	(66,887)	(65,274)
Profit/(loss) from operations		(7,860)	(68,824)
Net profit /Loss for the year		(7,860)	(68,824)



**BALANCE SHEET AS AT 31 MARCH 2005**

		2004/05	2003/04
ASSETS	Notes	R'000	R'000
<b>Non-current assets</b>			
Property, plant and equipment	10	150,211	145,168
		<b>150,211</b>	<b>145,168</b>
<b>Current assets</b>			
Inventories	11	10	26
Trade and other receivables	12	19,969	8,827
Cash and cash equivalents	13	19,127	15,391
		39,106	24,244
<b>Total assets</b>		<b>189,317</b>	<b>169,412</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
	14	174,675	145,366
<b>Non-current liabilities</b>			
Provisions	17	1,655	1,431
		<b>1,655</b>	<b>1,431</b>
<b>Current liabilities</b>			
Trade and other payables	15	2,124	4,906
Income received in advance	16	10,838	17,709
Current portion of provisions	17	25	-
		12,987	22,615
<b>Total equity and liabilities</b>		<b>189,317</b>	<b>169,412</b>

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2005**

	Accumulated Profit/(Loss)	Capital Fund	Replacement Fund	Total Equity
	R'000	R'000	R'000	R'000
<b>Balance at 1 April 2003</b>	-	156,256	-	156,256
- change in accounting policy	-	-	-	-
Correction of error, see note 18	51,254	-	-	51,254
- as restated	51,254	156,256	-	207,510
Increase due to purchases of vehicles	-	78,724	-	78,724
Decrease due to disposal of vehicles & depreciation	-	(67,594)	-	(67,594)
Increases due to depreciation	-	-	87,603	87,603
Decrease due to vehicles	-	-	(87,603)	(87,603)
Net loss for the year	(68,824)			(68,824)
Transfer to Department of Transport and Public Works	(4,450)			(4,450)
<b>Balance at 1 April 2004</b>	<b>(22,020)</b>	<b>167,386</b>	<b>-</b>	<b>145,366</b>
Increase due to purchases of vehicles	-	74,213	-	74,213
Decrease due to disposal of vehicles & depreciation	-	(92,525)	-	(92,525)
Increase due to depreciation	-	-	128,994	128,994
Decrease due to vehicles purchased	-	-	(73,513)	(73,513)
Net loss for the year	(7,860)	-	-	(7,860)
<b>Balance at 31 March 2005</b>	<b>(29,880)</b>	<b>149,074</b>	<b>55,481</b>	<b>174,675</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005**

		<b>2004/05</b>	<b>2003/04</b>
	<b>Notes</b>	<b>R'000</b>	<b>R'000</b>
<b>Operating activities</b>			
Cash generated from operations	19	20,844	66,041
<b>Net cash flow from operating activities</b>		<b>20,844</b>	<b>66,041</b>
<b>Net cash flow used in investing activities</b>	20	<b>(54,277)</b>	<b>(64,542)</b>
<b>Net cash flow from financing activities</b>	21	<b>37,169</b>	<b>6,680</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,736</b>	<b>8,179</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>15,391</b>	<b>7,212</b>
<b>Cash and cash equivalents at end of the year</b>		<b>19,127</b>	<b>15,391</b>

## ACCOUNTING POLICIES

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Accepted Accounting Practice and the Public Finance Management Act, Act 1 of 1999 as amended.

The following are the principle accounting policies of the Entity which are, in all material respects, consistent with those applied in the previous year, except as otherwise indicated:

### 1. BASIS OF PREPARATION

The AFS have been prepared on the historical cost basis.

### 2. CURRENCY

These AFS are presented in South African Rand, as that is the currency in which the Entity's transactions are denominated.

### 3. REVENUE RECOGNITION

Revenue is recognised when it is probable that future economic benefits will flow to the Entity and these benefits can be measured reliably.

Revenue arising from the rendering of services, as well as related expenses are recognised according to the stage of completion of the transaction at balance sheet date.

### 4. STAFF COSTS

#### Post – employment benefit costs

GMT offers post-employment benefits to its employees in the form of retirement benefits. These benefits represent pension payments.

#### Pension Fund

GMT offers a defined contribution plan. The assets generated by this plan consists of contributions made by both GMT and the employees and are generally held in a separate administered fund, namely the Government Employees Pension Fund. This fund is administered on behalf of GMT by pension fund administrators and is governed by the Government Employees Pension Law, 1996 as amended.

The following rates of contribution are applied: employee contribution is 7,5 % of pensionable salary (basic salary plus annual bonus) and GMT contributes 13 %.

### 5. IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

- The PFMA, or
- Any provincial legislation providing for procurement procedures in that provincial government.

**PART 6 | ANNUAL FINANCIAL STATEMENTS (CONTINUE)**

for the year ended 31 March 2005

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All irregular and fruitless and wasteful expenditure is charged against revenue in the period in which the expenditure is incurred.

**6. VEHICLES AND PLANT AND EQUIPMENT**

Items of vehicles and plant and equipment are stated at historical cost less accumulated depreciation.

Vehicles and plant and equipment are tangible assets held by the Entity for use in the supply of fleet management services, which are expected to be used for more than a one year period.

Property, plant and equipment are originally measured at cost and are depreciated on a basis considered appropriate to reduce the book value over the expected lifespan of the assets. In the case of vehicles the provider of the original funds decides on the expected life cycle.

Prescribed useful lives:

- Workshop equipment: Reducing balance (15% per annum)
- Vehicles: Straight line (3 – 7 years)
- Office equipment: Straight line (6 years)
- IT equipment: Straight line (3 years)
- Tools: Straight line (5 years)
- Domestic equipment: Straight line (6 years)
- Photographic equipment: Straight line (6 years)
- Computer software: Straight line (3 years)

Gains and losses on the disposal of property, plant and equipment are recognised in the income statement once they accrue to the Entity.

**7. IMPAIRMENT OF PROPERTY PLANT AND EQUIPMENT**

At each balance sheet date, the Entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is calculated as the amount that can be obtained by the Entity from the sale of the asset in an arm's length transaction between a willing and knowledgeable buyer or seller, less the cost of disposal.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**8. LEASING**

Actual Operating Lease payments are expensed when incurred. Operating Lease commitments for the period remaining from the reporting date until the end of the lease contract are disclosed as part of the disclosure notes to the financial statements.

**9. INVENTORIES**

Inventories consist of stationery and photocopy paper. Inventories are valued at the lower cost and net realisable value according to the first in first out (fifo) method.

**10. FINANCIAL INSTRUMENTS**

**Recognition**

Financial assets and financial liabilities are recognised on the Entity's balance sheet when the Entity becomes a party to the contractual provisions of the instrument. All "regular way" purchases and sales of financial assets are initially recognised using trade date accounting.

**Measurement**

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

**Financial assets**

The Entity's principle financial assets are accounts receivable and cash and cash equivalents.

- Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

**Financial liabilities**

The Entity's principle financial liabilities are, accounts payable.

- Trade payables

Trade and other payables are stated at their nominal value.

**11. PROVISIONS**

Provisions are recognised when the Entity has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably.

**12. COMPARATIVE FIGURES**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. This is the first year that the AFS have been prepared according to the South African Standards of GAAP (Generally Accepted Accounting Practice). The prior year financial statements have been adjusted and have also been prepared according to GAAP.

**13. CONTINGENT LIABILITIES**

A contingent liability is defined as a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity, or a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or
- the amount of the obligation cannot be measured with sufficient reliability.

**PART 6 | ANNUAL FINANCIAL STATEMENTS (CONTINUE)**

for the year ended 31 March 2005

The Entity discloses for each class of contingent liability at the reporting date a brief description of the nature of the contingent liability and, where practicable -

- (a) an estimate of its financial effect;
- (b) an indication of the uncertainties relating to the amount or timing of any outflow, and
- (c) the possibility of any reimbursement.

**14. EVENTS AFTER THE REPORTING DATE**

The Entity considers events that occur after the reporting date for inclusion in the AFS. Events that occur between the reporting date (31 March 2005) and the date on which the audit of the financial statements is completed (31 July 2005) are considered for inclusion in the AFS.

The Entity considers two types of events that can occur after the reporting date, namely those that -

- (a) provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date), and
- (b) were indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

All adjusting events are taken into account in the financial statements as the necessary adjustments are made to the financial statements. Where non-adjusting events after the reporting date are of such importance that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions, the Entity discloses the following information for each significant category of non-adjusting event after the reporting date:

- (a) The nature of the event.
- (b) An estimate of its financial effect or a statement that such an estimate cannot be made.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**1. ADOPTION OF SOUTH AFRICAN STANDARDS OF GAAP**

This is the first year that the financial statements have been prepared in accordance with the South African standards of GAAP. Previously the financial statements have been prepared using the cash basis of accounting. The financial statements for the year ended 31 March 2004 have been restated to reflect the financial position, performance and cash flows of the Entity in accordance with GAAP. Wherever management had to rely on estimates in order to reflect figures that had previously not been presented in the financial statements, this fact is disclosed. Retrospective restatement of the financial statements for the financial years prior to the year ending 31 March 2004, had not been performed, as the application of the requirements of GAAP for these financial years are impracticable. However, management had made every reasonable effort to apply the requirements of GAAP to the financial statements of these financial years and succeeded in doing so for the Accumulated Profit account, which now reflects the retrospective correction of the Debtors Control Account. Note 18 provides a reconciliation between the financial statements as previously published and the financial statements as restated in accordance with GAAP. The financial statements for the current year have been prepared in accordance with GAAP.

**2. REVENUE**

	<b>2004/2005</b>	<b>2003/2004</b>
	<b>R'000</b>	<b>R'000</b>
An analysis of the Entity's revenue is as follows:		
Rendering of services:	143,740	148,718
National Departments	49,495	62,489
Provincial Departments	94,245	86,229
<b>TOTAL</b>	<b>143,740</b>	<b>148,718</b>

**3. OTHER INCOME**

	<b>2004/05</b>	<b>2003/2004</b>
	<b>R'000</b>	<b>R'000</b>
Profit on disposal of assets	17,045	13,424
Material losses recovered	-	142
Other	2,049	545
<b>TOTAL</b>	<b>19,094</b>	<b>14,111</b>



**PART 6 | ANNUAL FINANCIAL STATEMENTS (CONTINUE)**

for the year ended 31 March 2005

**4. ADMINISTRATIVE EXPENSES**

	2004/2005	2003/2004
	R'000	R'000
General and administrative expenses	<b>12,462</b>	<b>19,436</b>
- Administrative	12,462	19,436
Travel and subsistence	4,710	5,594
Rentals in respect of operating leases (minimum lease payments)	<b>280</b>	<b>182</b>
- Plant, machinery and equipment	280	182
<b>TOTAL</b>	<b>17,452</b>	<b>25,212</b>

**5. STAFF COSTS**

	2004/2005	2003/2004
	R'000	R'000
Wages and salaries		
Basic salaries	7,249	6,271
Performance awards	181	141
Periodic payments	561	496
Other non-pensionable allowance	364	75
Leave payments	269	1,442
Overtime and long service payments	186	198
Social contributions (employer's contributions)		
Medical	747	736
Official unions and associations	3	2
Pension	1,086	919
Other salary related costs	-	499
<b>TOTAL</b>	<b>10,646</b>	<b>10,779</b>

Staff costs are shown at cost to entity package, based upon salary, bonuses, allowances and employee benefit contributions by GMT up to Balance Sheet date. Staff costs are charged to the Income Statement in the year to which it relates.

**PART 6 | ANNUAL FINANCIAL STATEMENTS (CONTINUE)**

for the year ended 31 March 2005

The following Executive members' remuneration is included in the above mentioned staff costs:

ENTITY	Salary / Fee R'000	Performance Bonus R'000	Medical Aid Contribution R'000	Pension Contribution R'000	Retirement Annuity Fund R'000	Total R'000
<b>Year ended 31 March 2004</b>						
Senior Manager	276	12	10	19	4	321
Manager: Fleet Finance	119	-	5	10	-	134
Manager: Fleet Logistics	96	-	12	8	-	116
Manager: Fleet Management	142	-	16	12	1	171
Manager: Fleet Risk Management	121	6	5	7	2	141
<b>TOTAL</b>	<b>754</b>	<b>18</b>	<b>48</b>	<b>56</b>	<b>7</b>	<b>883</b>

ENTITY	Salary / Fee R'000	Performance Bonus R'000	Medical Aid Contribution R'000	Pension Contribution R'000	Retirement Annuity Fund R'000	Total R'000
<b>Year ended 31 March 2005</b>						
Senior Manager	292	13	12	20	5	342
Manager: Fleet Finance	146	8	6	12	-	172
Manager: Fleet Logistics	119	7	14	11	2	153
Manager: Fleet Management	151	8	17	14	-	190
Manager: Fleet Risk Management	136	8	6	11	2	163
<b>TOTAL</b>	<b>844</b>	<b>44</b>	<b>55</b>	<b>68</b>	<b>9</b>	<b>1 020</b>

**PART 6 | ANNUAL FINANCIAL STATEMENTS (CONTINUE)**

for the year ended 31 March 2005

**6. FINANCIAL TRANSACTIONS IN ASSETS AND LIABILITIES**

	<b>2004/2005</b>	<b>2003/2004</b>
	<b>R'000</b>	<b>R'000</b>
Other material losses	2,721	924
Bad debts written off	847	-
Provision for doubtful debts	-	27,805
Write down of provision for doubtful debts	(847)	-
Loss on disposal of assets	-	1,108
- disposals	-	1,108
<b>TOTAL</b>	<b>2,721</b>	<b>29,837</b>

**7. TRANSFERS AND SUBSIDIES**

	<b>2004/2005</b>	<b>2003/2004</b>
	<b>R'000</b>	<b>R'000</b>
Transfers		
Local Governments	24	21
<b>TOTAL</b>	<b>24</b>	<b>21</b>

**8. OTHER OPERATING EXPENSES**

	<b>2004/2005</b>	<b>2003/2004</b>
	<b>R'000</b>	<b>R'000</b>
Staff training and development	18	7
Consultants, contractors and special services	3,349	2,433
Legal fees	25	37
Maintenance, repairs and running costs	<b>69,248</b>	<b>72,897</b>
- Property and buildings	131	16
- Machinery and equipment	69,117	72,881
Impairment losses recognised	309	25,137
Entertainment expense	16	19
<b>TOTAL</b>	<b>72,965</b>	<b>100,530</b>

**PART 6 | ANNUAL FINANCIAL STATEMENTS (CONTINUE)**

for the year ended 31 March 2005

**9. DEPRECIATION**

	2004/2005	2003/2004
	R'000	R'000
- Plant, machinery and equipment	375	153
- Vehicles	66,512	65,121
<b>TOTAL</b>	<b>66,887</b>	<b>65,274</b>

**10. PROPERTY, PLANT AND EQUIPMENT (PPE)**

	Plant and equipment R'000	Vehicles R'000	Total PPE R'000
<b>Year ended 31 March 2004</b>			
Carrying amount as at 1 April 2003	28	156,180	156,208
Gross carrying amount	112	320,947	321,059
Accumulated depreciation	(84)	(164,767)	(164,851)
Accumulated impairment losses	-	-	-
Additions at cost	581	81,237	81,818
Disposals at book value	-	(2,447)	(2,447)
Cost	-	(26,732)	(26,732)
Accumulated depreciation	-	24,285	24,285
Depreciation charge	(154)	(65,121)	(65,275)
Impairment loss	-	(25,137)	(25,137)
<b>Net carrying amount 31 March 2004</b>	<b>455</b>	<b>144,712</b>	<b>145,167</b>
Gross carrying amount	693	375,452	376,145
Accumulated depreciation	(238)	(205,603)	(205,841)
Accumulated impairment losses		(25,137)	(25,137)

**PART 6 | ANNUAL FINANCIAL STATEMENTS (CONTINUE)**

for the year ended 31 March 2005

**10. PROPERTY, PLANT AND EQUIPMENT (PPE) CONTINUE**

	<b>Plant and equipment R'000</b>	<b>Vehicles R'000</b>	<b>Total PPE R'000</b>
<b>Year ended 31 March 2005</b>			
Carrying amount as at 1 April 2004	455	144,712	145,167
Gross carrying amount	693	375,452	376,145
Accumulated depreciation	(238)	(205,603)	(205,841)
Accumulated impairment losses	-	(25,137)	(25,137)
Revaluation adjustments	-	219	219
Additions at cost	695	74,213	74,908
Disposals at book value	-	(2,888)	(2,888)
Cost	-	(38,574)	(38,574)
Accumulated depreciation	-	35,686	35,686
Depreciation charge	(374)	(66,512)	(66,886)
Impairment loss	-	(309)	(309)
<b>Net carrying amount 31 March 2005</b>	<b>776</b>	<b>149,435</b>	<b>150,211</b>
Gross carrying amount	1,388	411,310	412,698
Accumulated depreciation	(612)	(236,429)	(237,041)
Accumulated impairment losses	-	(25,446)	(25,446)

Included in property, plant and equipment are equipment items purchased to the amount of R694,634.43 (2003/04: R580,722.01). This amount and its related depreciation expense of R370,809.22 (2003/04: R149,142.98) represent estimates arrived at by management. Estimates had to be made as the equipment register kept by management does not detail the exact purchase dates of the various equipment items and because the current financial year is the first period in which these specific equipment items are capitalised. The prudent presumption had been made that all equipment purchased during a specific financial year had been obtained at the beginning of that specific financial year. Thus the depreciation expense for these equipment items is measured from the beginning of the financial year during which it had been purchased.

The retrospective adjustment to the equipment figure and the reason for the capitalisation of equipment are explained in note 18.

**PART 6 | ANNUAL FINANCIAL STATEMENTS (CONTINUE)**

for the year ended 31 March 2005

**11. INVENTORIES**

	2004/2005	2003/2004
	R'000	R'000
Consumable stores	10	26
<b>TOTAL</b>	<b>10</b>	<b>26</b>

**12. TRADE AND OTHER RECEIVABLES**

	2004/2005	2003/2004
	R'000	R'000
Trade receivables	46,927	36,632
Less: Provision for doubtful debts	(26,958)	(27,805)
<b>TOTAL</b>	<b>19,969</b>	<b>8,827</b>

The provision for doubtful debts has been determined by reference to past default experience and the current economic environment. Included in the provision for doubtful debts is an amount of R19 872 m which GMT intends to write off as bad debts, but authorisation for the write-off has not yet been received from the Accounting Officer of the Department of Transport and Public Works.

**13. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash and short-term, highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are subject to insignificant interest rate risk. The carrying amount of these assets approximates their fair value.

	2004/2005	2003/2004
	R'000	R'000
Cash held by the Western Cape Department of Transport & Public Works	19,127	15,391
<b>TOTAL</b>	<b>19,127</b>	<b>15,391</b>

As required in section 7(2) and 7(3) of the Public Finance Management Act, the National Treasury has approved the local bank where the bank account is held.

**PART 6 | ANNUAL FINANCIAL STATEMENTS (CONTINUE)**

for the year ended 31 March 2005

**14. CAPITAL AND RESERVES**

	Capital Fund	Accumulated profit/(loss)	Replacement fund	Total
	R'000	R'000	R'000	R'000
<b>Balance at 1 April 2003</b>	156,256	-	-	156,256
- change in accounting policy	-	51,254	-	51,254
- as restated	156,256	51,254	-	207,510
Net gains not recognised in the income statement	11,130	(73,274)	-	11,130
Net loss for the year	-	-	-	(73,274)
<b>Balance at 1 April 2004</b>	<b>167,386</b>	<b>(22,020)</b>	<b>-</b>	<b>145,366</b>
Net gains/(losses) not recognised in the income statement	(18,312)	-	55,481	37,169
Net loss for the year	-	(7,860)	-	(7,860)
<b>Balance at 31 March 2005</b>	<b>149,074</b>	<b>(29,880)</b>	<b>55,481</b>	<b>174,675</b>

**15. TRADE AND OTHER PAYABLES**

	2004/2005	2003/2004
	R'000	R'000
Trade creditors	1,915	4,733
Commitments	209	173
<b>TOTAL</b>	<b>2,124</b>	<b>4,906</b>

The Entity considered that the carrying amount of trade and other payables approximates to their fair value.

Commitments consist of amounts owing to staff in terms of performance bonuses, overtime and leave pay (cycle leave).

**16. INCOME RECEIVED IN ADVANCE**

	2004/2005	2003/2004
	R'000	R'000
Advances	10,838	17,709
<b>Closing Balance</b>	<b>10,838</b>	<b>17,709</b>

Advances represent funds received for services to be rendered.

for the year ended 31 March 2005

**17. PROVISIONS**

	2004/2005	2003/2004
	R'000	R'000
<b>Salary and related expense provision</b>		
Opening balance	1,431	-
Unused amounts reversed during the year	(11)	-
Provisions made during the year	260	1,431
Less: current portion of provision	(25)	-
<b>Closing Balance</b>	<b>1,655</b>	<b>1,431</b>

The following is included in the provisions:

**Capped leave pay**

The provision for capped leave pay represents GMT's obligation to pay as result of employees' services provided up to 1 July 2000. Unused leave entitlement that had accumulated at this date had been capped in terms of the conditions of the Central Bargaining Council's Resolution 7 of 2000. The provision is measured as the additional amount that is expected to be paid as a result of the leave days capped at 1 July 2000, taking into account the undiscounted amount of current cost to employer per employee.

**18. PRIOR PERIOD ERRORS**

This is the first year that the financial statements have been prepared in accordance with the South African standards of GAAP. Previously the financial statements have been prepared using the cash basis of accounting. The financial statements for the year ended 31 March 2004 have been restated to reflect the financial position, performance and cash flows of the Entity in accordance with GAAP. This note provides reconciliation between the financial statements as previously published and the financial statements as restated in accordance with GAAP.

The following table is an indication of the extent to which the Balance Sheet has been restated. It begins with the balances as previously stated in the published AFS for the year ended 31 March 2004 and provides a reconciliation, with explanations of the entries that have been passed, to restate the AFS in accordance with the requirements of GAAP.



**PART 6 | ANNUAL FINANCIAL STATEMENTS (CONTINUE)**

for the year ended 31 March 2005

Description	PPE DR/(CR)	Payables DR/(CR)	Accumulated Profit DR/(CR)	Receivables DR/(CR)	Debtors Control Acc. DR/(CR)	Provisions DR/(CR)	Explanation number
	R'000	R'000	R'000	R'000	R'000	R'000	
Balance as per cash accounting AFS	167,360	(823)	-	36,632	(33,490)	-	
Accrued vehicles	2,513	(2,513)	-	-	-	-	1
Impairment loss	(25,137)	-	25,137	-	-	-	2
Accruals for other operating expenditure	-	(1,239)	1,239	-	-	-	3
3 <sup>rd</sup> party claims	-	(156)	156	-	-	-	4
Performances bonuses	-	(136)	136	-	-	-	5
Provision for doubtful debts	-	-	27,805	(27,805)	-	-	6
Overtime & long term bonuses	-	(31)	31	-	-	-	7
S&T allowance	-	(3)	3	-	-	-	8
Cycle leave	-	(7)	7	-	-	-	9
Transfers between Debtors Control Account and Revenue: Opening Balance	-	-	(51,254)	-	51,254	-	10
Transfers between Debtors Control Account and Revenue	-	-	166,482	-	(166,482)	-	11
Transfers between Debtors Control Account and Revenue	-	-	(148,718)	-	148,718	-	12
Provision: Capped leave	-	-	1,431	-	-	(1,431)	13
Capitalisation of equipment	432	-	(432)	-	-	-	14
Balance as per AFS	<b>145,168</b>	<b>(4,908)</b>	<b>22,023</b>	<b>8,827</b>	<b>-</b>	<b>(1,431)</b>	

**EXPLANATION 1      Accrual raised for vehicles purchased but not received by 31 March 2004**

This amount represents vehicles received by GMT by 31 March 2004 for which payment was not yet made to the vendor. The effect of the correction is that PPE is increased to reflect the vehicles controlled by GMT at 31 March 2004 and payables are increased to reflect the obligation resting on GMT at 31 March 2004.

**EXPLANATION 2      Impairment loss on ppe**

At 31 March 2004 GMT implemented the decision to transfer a portion of its motor vehicles to the Department of Correctional Services. In terms of a binding agreement these vehicles would be transferred at a price of zero rand. The recoverable amount of these vehicles at 31 March 2004 was therefore zero and the carrying amount should have been impaired to zero. The purpose of this adjustment was to reduce PPE by R25 137m to reflect the PPE to be transferred at no compensation at its recoverable amount of R0. The effect was also that the accumulated profit is reduced by R25 137 m as this impairment loss should have been recorded in the income statement for the year ended 31 March 2004.

**EXPLANATION 3      Accruals for other operating expenses**

At 31 March 2004 GMT had incurred operating expenditure, but had not yet paid the creditors in respect of this operating expenditure. The effect of this adjustment is to reduce the accumulated profit as these expenses should have been included in the income statement of GMT for the year ended 31 March 2004 and to increase payables to reflect the obligation resting on GMT to pay for expenditure already incurred by the Entity.

**EXPLANATION 4      3<sup>rd</sup> party claims**

At 31 March 2004 a number of claims had been instituted against GMT by third parties who were party to a motor vehicle accident involving a GMT vehicle. An amount of R155 664 in respect of claims made against GMT was paid during the next financial year. This confirms that these claims constituted an obligation for GMT at 31 March 2004, which was not recognised in the financial statements. The effect of this adjustment was that the accumulated profit was reduced as the expense was incurred during the year ended 31 March 2004, and the obligation was recognised.

**EXPLANATION 5, 7, 8, 9, 13      Employee benefits**

The purpose of these adjustments was to recognise expenditure and an obligation in respect of benefits earned by employees of GMT before 31 March 2004, but paid by GMT after 31 March 2004. The effect of the adjustments was that the accumulated profit was reduced as these expenses were incurred before the end of the financial year, and an obligation was recognised to reflect the liability of GMT in respect of benefits earned by employees at 31 March 2004.

**EXPLANATION 6      Provision for doubtful debts**

The purpose of this adjustment was to reduce the accumulated profit and receivables with the amount of those receivables that are considered to be irrecoverable by GMT as at 31 March 2004.

**EXPLANATION 10, 11, 12      Transfers between the debtors control account and the accumulated profit account**

Up to 31 March 2004 GMT has always accounted for revenue on a cash basis, which has meant that on a cumulative basis the difference between amounts billed and amounts collected in cash has never been recognised in revenue or in the accumulated profit. The effect of these adjustments has been to recognise these amounts in the accumulated profit.

**PART 6 | ANNUAL FINANCIAL STATEMENTS (CONTINUE)**

for the year ended 31 March 2005

**EXPLANATION 14**

**Capitalisation of equipment**

As per departmental policy, equipment items purchased for amounts less than R5 000 are expensed and not capitalised. However, according to GAAP, these items of equipment should be capitalised. Hence the equipment expenses incurred in the 2003/2004 financial year should be reversed and capitalised to property, plant and equipment in the balance sheet. The increase in equipment is presented as net of depreciation, as explained in explanation 6 on the next page.

**The following indicates the correction of prior period errors that have an effect on the Income Statement which are as follows:**

Description	Original figures	New format figures	Adjusted figures	Adjustments made
	R'000	R'000	R'000	R'000
Revenue	172,184	172,184	148,718	(23,466)
Other income	-	-	14,111	14,111
<b>TOTAL</b>	<b>172,184</b>	<b>172,184</b>	<b>162,829</b>	<b>(9,355)</b>

Expenses	167,734	167,734	231,653	63,919
Admin	8,294	15,819	25,212	9,393
Personnel	9,174	9,174	10,779	1,605
Inventories	49,872	-	-	-
Machinery & equipment.	532	-	-	-
Land & buildings	14	-	-	-
Prof & Special Services.	26,403	-	-	-
Misc./Other	73,445	75,720	100,530	24,810
Fin. Transactions in assets & liabilities	-	1,875	29,837	27,962
Transfers and subsidies	-	21	21	-
Depreciation	-	65,125	65,274	149

The purpose of the table above is as follows:

Firstly, the column called original figures sets out the amounts as classified in the Income Statement published for the year ended 31 March 2004, according to the cash accounting method. The second column called new format figures is a reclassification of the March 2004 cash accounting Income statement into the new classes of expenditure as required by National Treasury on their AFS Template.

The amounts of revenue and expenses have not changed in total as they have only been reclassified into the new format descriptions. The third column called adjusted figures sets out the revenue and expenditure as disclosed in the comparative figures for the financial statements for the year ended 31 March 2005. These figures reflect the revenue and expenditure of GMT for the year ended 31 March 2004, based on GAAP. The final column explains the difference between column 2 and 3 i.e. the adjustments that have been made to the Cash Accounting Income Statement for the year ended 31 March 2004 to ensure that it is GAAP compliant.

Below is an explanation of the adjustments that have been made:

**EXPLANATION 1:**

**Revenue reduced by R23, 466 m and Other Income total presented as R14, 111 m**

The reason for the decrease in revenue is the correction of revenue previously accounted for on a cash basis. The details are set out under explanation 11 and 12 in the section explaining the adjustments made to the Balance Sheet as set out above. Revenue was also increased by R8, 409 m due to a correction of administrative expenses previously directly debited against revenue. The total for Other Income to the amount of R14, 111 m is now presented on the face of the Income Statement.

**EXPLANATION 2:**

**Administrative expenditure increased by R9, 393 m**

The reason for the net increase in administrative expenditure is the following: increase due to accruals raised by GMT in respect of administrative expenditure to the amount of R1, 099 m that was paid in 2004/2005 as well as a correction of the allocation of administrative expenses to the amount of R8, 409 m previously directly debited against revenue; decrease to the amount of R118 000 due to the capitalisation of equipment previously expensed as a result of the departmental policy.

**EXPLANATION 3:**

**Personnel expenditure increased by R1, 605 m**

The reason for the increase in personnel expenditure is as a result of provisions and accruals raised by GMT in respect of employee benefits earned by employees before 31 March 2004 and only paid in the new financial year. These benefits include amounts for performance bonuses, overtime and long service bonuses, cycle leave and capped leave.

**EXPLANATION 4:**

**Miscellaneous / other expenditure increased by R24, 810 m**

This net increase is as a result of amounts recognised for an impairment loss and accruals for operating expenses. The details are set out under explanation 2 and 3 in the section explaining the adjustments made to the Balance Sheet as set out above. It also includes a decrease to the amount of R463 000 due to the capitalisation of equipment previously expensed as a result of the departmental policy.

**EXPLANATION 5:**

**Financial transactions in assets and liabilities increased by R27, 962 m**

This increase is due to the following adjustments: provision for doubtful debts made and also due to provisions raised for 3<sup>rd</sup> party claims made against GMT (the details are set out under explanation 4 and 6 in the section explaining the adjustments made to the Balance Sheet as set out above).

**EXPLANATION 6:**

**Depreciation increased by R149 000**

This increase to the amount of R149 000 is due to the capitalisation of equipment previously expensed as a result of the departmental policy.

**PART 6 | ANNUAL FINANCIAL STATEMENTS (CONTINUE)**

for the year ended 31 March 2005

**19. RECONCILIATION OF CASH GENERATED FROM OPERATIONS**

	<b>2004/2005</b>	<b>2003/2004</b>
	<b>R'000</b>	<b>R'000</b>
Loss from income statement	(7,860)	(68,824)
Adjusted for:		
- Revaluation adjustment	(217)	-
- Depreciation on property, plant and equipment	66,887	65,274
- Net increase in provision for employee benefits	249	1,605
- Impairment	309	25,137
- Increase in accruals for 3 <sup>rd</sup> party claims	264	156
- Profit on disposal of vehicles	(17,045)	(13,424)
- Increase in accruals for operating expenditure	445	1,239
- Loss on disposal of assets	-	1,108
- Increase in provisions	-	27,805
- Bad debt written off	847	-
- Write down of provision for doubtful debt	(847)	-
<b>Operating cash flows before working capital changes</b>	<b>43,032</b>	<b>40,076</b>
<b>Working capital changes</b>	<b>(22,188)</b>	<b>25,965</b>
- Decrease in inventories	<b>16</b>	<b>22</b>
- Decrease/(increase) in receivables	<b>(11,142)</b>	<b>21,978</b>
- Increase/(decrease) in payables	<b>(11,062)</b>	<b>3,965</b>
<b>Cash generated from operations</b>	<b>20,844</b>	<b>66,041</b>

**20. NET CASH FLOW USED IN INVESTING ACTIVITIES**

	<b>2004/2005</b>	<b>2003/2004</b>
	<b>R'000</b>	<b>R'000</b>
Proceeds on disposal of property, plant and equipment	19,931	14,763
Acquisition of property, plant and equipment	(74,208)	(79,305)
<b>Cash used in investing activities</b>	<b>(54,277)</b>	<b>(64,542)</b>

**PART 6 | ANNUAL FINANCIAL STATEMENTS (CONTINUE)**

for the year ended 31 March 2005

**21. NET CASH FLOW FROM FINANCING ACTIVITIES**

	2004/2005	2003/2004
	R'000	R'000
<b>Financing activities</b>		
Transfer to Department of Transport and Public Works	-	(4,450)
Increase in replacement fund	55,481	-
Decrease in capital fund	(18,312)	11,130
<b>Cash from financing activities</b>	<b>37,169</b>	<b>6,680</b>

**22. CONTINGENT LIABILITIES**

Claims are instituted against GMT by third parties who are party to a motor vehicle accident involving a government vehicle. An amount of R264 039 (2003/04: R155 664) in respect of claims made against GMT and paid during the next financial year has been raised as a payable in the financial statements. The total amount of unpaid claims made against GMT at the end of the 2004/05 financial year is R630 601. This implies that a contingent liability of R714 343 (R630 601 [up to reporting date] plus R83 741 [after reporting date]) exists, but has not been raised in the financial statements as the existence of this obligation will only be confirmed by the future payment of these claims.

**23. OPERATING LEASE ARRANGEMENTS THE ENTITY AS LESSEE**

	2004/2005	2003/2004
	R'000	R'000
Up to 1 year	4,500	6,619
1 to 5 years	10,741	15,241
More than 5 years	-	-
	<b>15,241</b>	<b>21,860</b>

**24. CAPITAL COMMITMENTS**

	2004/2005	2003/2004
	R'000	R'000
Commitments for the acquisition of property, plant and equipment	10,578	4,901
- Property, plant and equipment ordered, but not provided in the financial statements	10,578	4,901
	<b>10,578</b>	<b>4,901</b>

## PART 6 | ANNUAL FINANCIAL STATEMENTS (CONTINUE)

for the year ended 31 March 2005

## 25. EVENTS AFTER THE REPORTING DATE

The following information is disclosed as non-adjusting events after the reporting date in the AFS and represents preliminary claims from 3<sup>rd</sup> parties against GMT as well as the estimated loss value with regard to government vehicles. The estimated loss value will only be confirmed after finalisation of these claims:

3<sup>rd</sup> Party claims (also refer to note 22 above)

11 (eleven) cases with an estimated claim value of R83 741.

Damages/Losses - government vehicles

352 (three hundred and fifty two) cases with an estimated loss value of R1 480 565.