

PART IV

ANNUAL FINANCIAL STATEMENTS for the year ended 31 MARCH 2004

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MANAGEMENT REPORT AND APPROVAL

**MANAGEMENT REPORT FOR THE
YEAR ENDING 31 MARCH 2004**

Report by the Accounting Officer to the Provincial Legislature of the KwaZulu-Natal Government.

1. GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS**Important Policy Decisions and Strategic Issues Facing the Department**

The Department of Transport captured the theme “Ten Years of Prosperity Through Mobility” in association with the celebration of “Ten Years of Democracy” in South Africa. This is reflective by the review of the performance provided that the Department has been able to:

- Reverse the spatial inequalities associated with apartheid and separate development.

Our Community Access Roads Program, African Renaissance Road Upgrading Program and, this year, the launch of our Four Cities Road Upgrading Project to link Durban, Pietermaritzburg, Richards Bay and Ulundi with all weather access roads, have been outstanding performers.

The African Renaissance Roads Upgrading Program (ARRUP) which addresses the upgrading of major rural transport corridors from gravel to blacktop, is already demonstrating an exciting ability to revitalise stagnant rural economies. For example, Main Road 235 (the road from Mtubatuba to Nongoma/Pongola via KwaHlabisa) – which was the first ARRUP project – the value of Vukuzakhe contracts currently in progress is R408million. All cement for the drainage structures has been sourced through local suppliers in Hlabisa and the transport of materials has been contracted to local truck owners. Improved local earnings have already resulted in a discernable improvement in the standard of housing in and around Hlabisa.

ARRUP has allowed the Department of Transport to further its commitment to promote co-operative governance and to intensify programs designed to achieve black economic empowerment.

- Create an affordable, efficient and safe public transport service.

Pioneering programs have been implemented with KWANATACO and have been specifically designed to acknowledge the critical role of the minibus taxi industry in public transport provision.

Highlights this year in terms of providing public transport services were the piloting of a taxi owner and taxi driver training program within the community of Nqutu and the launch of the eThekweni Metropolitan Transport Authority, South Africa’s first Metropolitan Transport Authority, on 5th March 2004.

- Create a safer road environment for all road users.

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This year a wide variety of initiatives were introduced to establish a safe road environment for all road users in KwaZulu-Natal. These ranged from technical innovations such as the installation of intelligent road studs to the holding of inter-faith Road Safety Prayer Days in all regions. The dramatic reduction in road fatalities over the December 2003 holiday period bears witness to the effectiveness of our holistic approach to road safety education and the enforcement of road traffic regulations.

- Consult communities and stakeholders to strengthen participatory democracy at all levels of South African society.

In 2003 members were, once again, elected to serve their communities and constituencies on Rural Road Transport Forums (RRTFs). These elections were the third elections to be held since the establishment of the RRTFs in 1996. There was full community participation in the RRTF elections which were fiercely contested.

- Create economic opportunities for new market entrants.

The organisation of the Vukuzakhe Provincial Council, the registration of KWANATACO as a public entity and the administration of bus subsidy contracts to promote greater equity in the public transport sector are the undoubted highlights of the 2003/04 financial year.

The Department is currently in the process of appointing Transaction Advisors, for the implementation of a Public Private Partnership (PPP) for the supply and maintenance of major plant (graders, bulldozers, etc) to both the Department and the Departments Vukuzakhe emerging contractor development program. This PPP is aimed at alleviating the problems faced by emerging contractors in obtaining affordable and reliable plant.

The maintenance backlog on the Provincial Road Network continues to challenge the Department and its funding allocation. Although the intervention of the democratic government has reversed the negative funding trend and that the Department has received substantial funding increases over the last four years, the road maintenance outputs are not keeping pace with the maintenance needs of the network. Significant escalations in maintenance costs have meant that the condition of the Provincial road network remains in decline.

Current funding is only 46% of the required funding to maintain the road network to an adequate engineering standard. The National Planning Committee for Road Financing in 1994 termed that the minimum level of funding should not be less than 78% of the adequate funding level. If this standard is applied it indicates that the Department is under funded to the magnitude of 37% of its current minimum funding level.

The Department has systematically created new policy frameworks to guide the delivery of services in such a way that sustainable transformation towards a more equitable dispensation is achievable. Despite heightened political tensions, the Department was able to successfully fulfil its mandate in this financial year. This augurs well for the future.

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MAJOR PROJECTS

PROJECT VALUE

• Nongoma Project – 117km Hlabisa/Nongoma/Mkhuze River	R43million
• Obanjeni/KwaMaqwakaz/Mandawe 59.6km	R19million
• Nkandla/Ntonjambili/Entumeni 87km	R36million
• Hlangwini/St Faiths 62km	R26million
• Osizweni 27km	R15million
• Ndwedwe/Mloti River/Inanda 31km	R17million
• Nxamalala/Taylors Halt	R12million

2. SPENDING TRENDS

UNDER/OVER SPENDING

PROGRAM 1: ADMINISTRATION

SAVINGS R96 000

The purpose of this program is to conduct the overall management of the Department. The aim of this program is to ensure policy correlation within the business units, and link budget spending to actual delivery and performance standards. There are two sub-programs contained within this program:

- Minister – Policy formulation by the Minister and the Department's management, and
- Administration – organising the Department, managing its personnel and financial administration, determining working methods and procedures and exercising control and rendering administrative services.

The expenditure in this program was in line with the adjusted budget and the Department's expectations.

PROGRAM 2: ROADS

SAVINGS R334 000

The purpose of this program is to conduct the overall management and administration of roads in the Province of KwaZulu-Natal. The program is aimed at determining the needs for development of infrastructure, implementing maintenance programs and providing access roads for communities to unlock economic potential, and promoting community development and eco-tourism.

This program consists of six sub-programs, namely:

- Technical Support Services
- Construction
- Community Access Roads
- Maintenance
- Subsidies; and
- Mechanical

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The objectives of these six sub-programs are:

- The planning and designing of Provincial roads;
- The Departmental/contractual construction of Provincial roads;
- The provision of access roads to rural communities;
- The Departmental/contractual maintenance of Provincial roads;
- Assistance in respect of the fencing of main roads;
- The elimination of high frequency accident spots in urban areas;
- Assistance to local authorities in respect of the maintenance of main roads, and traffic signals on Provincial roads within local authorities and
- The repair and preventative maintenance of Departmental plant and equipment.

The Independent Electoral Commission (IEC) made an urgent request to the Department during February and March 2004 to construct access roads to various polling stations in the Province. The total cost to construct these roads amounted to R78million, of which R20million was incurred during the 2003/04 financial year. In order to fund this expenditure, payments for African Renaissance Road Upgrading Program (ARRUP) projects, were delayed.

The expenditure in this program was in line with the adjusted budget and the Department's expectations.

PROGRAM 3: ROAD TRAFFIC**OVER R587 000**

The purpose of this program is to regulate road traffic. The Department's integrated road safety program is aimed at facilitating road safety campaigns and measures, developing policy in consultation with all relevant authorities charged with the responsibility for road safety structures, and encouraging participation of all in road safety initiatives and awareness programs. The programs consists of five sub-programs:

- Transport Engineering
- Law Enforcement
- Vehicle Registration and Licensing
- Road Safety Education

The services rendered by these sub-programs are as follows:

- To render technical services relating to mass measuring bridges, and to conduct analysis and reengineering of hazardous locations;
- To conduct road traffic law enforcement;
- To register and license vehicles;
- To develop road safety educational programs and train educators in traffic safety

The over expenditure in this program is mainly attributable to the major increases in fuel prices during the financial year which were not possible to forecast.

M A N A G E M E N T R E P O R T A N D A P P R O V A L

PROGRAM 4: PUBLIC TRANSPORT**OVER R48 328**

The purpose of this program is the planning and regulation of public transport, the monitoring of bus subsidy contracts and payments.

The expenditure in this program is maternally in line with the departments expectations and the budget.

PROGRAM 5: AUXILLIARY AND ASSOCIATED SERVICES**SAVING R349 952**

The program is for the rendering of auxiliary services and services associated with the Department of Transport. The following three sub-programs are contained therein:

- Radio Communication Services
- Standard Stock Account and
- Provincial Motor Transport

The services rendered by these sub-programs are the:

- Provision and maintenance of radio communication services;
- Capital augmentation and
- The purchase of vehicles for departmental use.

The expenditure in this program was in line with the adjusted budget and the department's expectations.

SERVICES RENDERED BY THE DEPARTMENT**2.1 A list of services rendered**

Turning the vision of the Department into a reality can only be achieved by focusing the attention and energy of all employees and relevant stakeholders on the performance of core functions that are to produce results. The core functions are:

Road Infrastructure

- The construction of new roads, maintenance of existing roads and the repair of damaged roads, remain a permanent responsibility of the Provincial department.

Public and Freight Transportation

- The planning and provision of urban and rural public transport facilities, conducting transport studies, the control of road transportation, provision of transport planning frameworks and the management of public transport services and public road network.

Road Traffic

- The registration and licensing of vehicles and drivers, the regulation of traffic on public roads, the maintenance and provision of visible road traffic signs and the implementation of road safety campaigns and awareness programs.

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3. TARIFF POLICY

- The tariff structure for the Road Traffic Act is reviewed annually, in terms of tariffs of fees and charges, in conjunction with the Provincial Treasury in terms of Treasury Regulations 7.3.1. and is gazetted in the Government Gazette by the Minister of Transport.
- In terms of the Treasury Regulations, the department has developed and implemented effective and efficient processes that provide for the identification, collection, recording, and safeguarding of all revenue (Treasury Regulations 7.2.1).
- The Accounting Officer takes effective steps to collect all money due to the department;
- Reports to the Provincial Treasury regarding any impending under collection of revenue;
- The department, each year before the beginning of the financial year, provides the Provincial Treasury with a breakdown of anticipated revenue for the year.

4. CAPACITY CONSTRAINTS

The provision of essential missing links and roads in the Provincial road network that is being done to achieve a more equitable road network has limited the funding available for essential maintenance work on the existing network. This is resulting in an ongoing overall decrease in the asset value of the network and a large injection of funding is required to address this issue. The provision of funding of the magnitude required to arrest this deterioration must be addressed as a national issue, and the strategy to be adopted is to interact with national structures to sensitise them to this need and to develop national strategies to address this issue.

The challenge facing the Department since 1994 has been to remedy road network inequalities that arose out of the Apartheid government policy of separate development, while at the same time maintaining the primary road network at an appropriate level. Inadequate funding levels for road infrastructure have created a condition whereby the Department consciously chose to fund a road program that would minimise the further deterioration of the primary road network, while at the same time maximise the allocations needed to provide isolated rural communities with appropriate access. At the same time, a conscious decision was taken to promote a proper awareness of the importance of road investments for the development of South Africa's economy.

The shortage of technically qualified personnel, especially at senior levels, continues to hinder the ability of the department to deliver on its mandate. A number of engineering and technician positions have remained unfilled for years. This has not only hampered service delivery in the affected areas, but has also resulted in an over-reliance on consultants. To alleviate this situation in the medium to long term, the department is actively involved in nurturing prospective technical employees by providing scholarships to civil engineering students attending both universities and technikons, and implementing mentorship programs for young technical graduates. In addition, the department actively encourages study in technical fields by supporting high school programs that stimulate interest in maths and science.

One of the major constraints at present is the lack of Information Technology Systems including Financial Management Systems to assist the Department in making data driven decisions. This is particularly relevant in areas which require accurate and reliable data to be able to make informed strategic decisions and to be able to advise and administer the Core business of the Department effectively.

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The department is currently looking at the feasibility of a Project Management Information System which would support managers in decision making at operational, tactical and strategic levels of management. This information system would combine both financial and operational information as a tool to provide accounting and financial management data, conduct special research projects, provide periodic reports on progress with regard to projects, to monitor the performance of managers and business units and to provide geographical information systems based reports with regard to public infrastructure and population demographics within a specified area of concern.

Communication with the minibus taxi industry is vitally important but difficult. The Department is attempting to address this by establishing formal consultative forums on transportation between officials of Provincial and municipal government and the taxi industry. These forums integrate with the Integrated Development Planning process of the municipalities.

5. UTILISATION OF DONOR FUNDS

No donor funds were received for the year ending 31 March 2004.

6. PUBLIC ENTITIES

The KwaZulu-Natal Taxi Task Team listed on Schedule 3 of the Public Finance Management Act that report to the KwaZulu-Natal Minister of Transport.

7. OTHER ORGANISATIONS TO WHICH TRANSFER PAYMENTS HAVE BEEN MADE

Transfer Subsidies are made for the following purposes:

- Fencing Subsidies: Payments are made to adjacent landowners on Provincial main roads for the maintenance and upkeep of fencing to prevent livestock from entering the road hereby improving Road Safety.
- Local Municipalities: Maintenance of Provincial Roads that traverse built up areas with Local Municipalities.
- Local Roads: Paid to various organisations and farmers for maintenance of certain local roads.
- eThekweni Metropolitan Council: Contribution made to the founding of the eThekweni Transport Authority.

8. PUBLIC PRIVATE PARTNERSHIP

No Public Private Partnership have been entered into by the department during the financial year under review.

The KwaZulu-Natal Department of Transport wishes to consider options for the provision of plant for its own as well as for the use of emerging contractors participating in its Vukuzakhe program. In light thereof, the Department has, after the financial year end, engaged the services of a Transaction Advisor namely Deloitte Consortium to investigate possible options and, in the event that the preferred option involves the procurement of a Public Private Partnership (PPP), to assist with the procurement thereof.

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9. CORPORATE GOVERNANCE ARRANGEMENT

During the current year the department launched the Mpimpa Hotline – 086 221 1010, together with a campaign with theme “Road Safety is everybody’s responsibility 24/7/365” (24 hours, 7 days a week and 365 days a year around the clock). The Government and its Law Enforcement agencies cannot effectively solve or address the problem of crime, including road traffic criminal acts, without active participation of road users and the general public. The use of a telephone has been established to enable all stakeholders to effectively take responsibility for road safety issues.

The Zero Tolerance and Asiphephe programs have achieved the desired effect which is indicative by the reduction of road fatalities by 17,95%, during the December 2003 holiday period.

The Department has made significant progress in tackling the HIV/AIDS pandemic both within the Department as well as the taxi and freight transport industries. We are currently conducting research to ascertain the likely impact of HIV/AIDS on the infrastructure and mobility needs of rural communities. This study forms part of our African Renaissance Road Upgrading Program.

This year, the Department has partnered CETA to provide 100 learnerships to Vukuzakhe contractors. Negotiations with a major financial institution are in the process of being finalised. It is anticipated that the establishment of a dedicated technical, financial and management support program for Stage 2 to Stage 4 Vukuzakhe contractors will go a long way to removing persistent barriers that still constrain the performance and profit taking of the emerging contractor sector. These include credit worthiness and the procurement of supplies and plant.

10. DISCONTINUED ACTIVITIES/ACTIVITIES TO BE DISCONTINUED

No activities have been discontinued during the financial year under review.

11. EVENTS AFTER THE REPORTING DATE

Provincial Government elections were held in the Province on 14th April 2004. These elections resulted in changes in the Provincial Legislature and thus changes in the Cabinet and the departmental MEC’s. This resulted in the appointment of Mr Bheki Cele as the new MEC for Transport and Safety and Security.

The Department has engaged the services of a Transaction Advisor namely Deloitte Consortium to investigate possible options for the provision of plant for its own as well as for the use of emerging contractors participating in its Vukuzakhe program and, in the event that the preferred option involves the procurement of a Public Private Partnership (PPP), to assist with the procurement thereof.

The department incurred approximately R58million during April 2004 for the construction of access roads to polling stations for the Independent Electoral Commission (IEC). The total cost of these roads was R78million of which R20million was incurred in the

MANAGEMENT REPORT AND APPROVAL

2003/04 financial year, the department along with the Provincial Treasury is in negotiations with the IEC to fund the construction of these roads. The department has had to reduce the funding allocated to the ARRUP program until funding from the IEC is received.

12. PROGRESS WITH FINANCIAL MANAGEMENT IMPROVEMENTS

The department is continually challenged to adapt and implement changes that are introduced by national government. The phased move from the Financial Management System (FMS) to the Basic Accounting System (BAS) commenced in October 2003 where the department migrated to BAS successfully. BAS provides on line access to financial management information that can be analysed and managed on a day-to-day, real time basis. This represents a major improvement from the previous system of lengthy paper reports based on information that is often outdated.

Part of the challenges contains reforms and initiatives in the field of financial management. These include the new economic reporting format, which replaces the old standard item classification and is intended to bring the public sector into line with the International Monetary Fund's (IMF) internationally accepted Government Finance Statistics format and standards. Similarly, the conversion from the FMS to BAS is in line with National Treasury's drive to align government to a single integrated financial management and accounting platform, thereby ensuring comparability of financial information.

Monthly Management accounts act as a monitoring tool whereby a variance analysis of budget against projected and actual expenditure is reported on. This information is fundamental especially in decision making where spending trends are weighed against the total allocation of the department. These accounts present an accurate analysis of the department's total expenditure for the financial year providing there are no unforeseen circumstances.

13. PERFORMANCE INFORMATION

The democratisation process within the taxi industry has been completed, with the election of a fully representative Provincial Taxi Council. The department is committed to going beyond the regulation of the taxi industry, and facilitating its growth and development in such a way that it can diversify its investment and income interests. This includes a review of the public transport subsidy system. The fact that the taxi industry is 99 per cent owned and managed by Black South Africans makes it a critical pillar of any black economic empowerment strategy, especially a strategy directed towards the empowerment of ordinary citizens.

Government has been coming under increasing pressure over the introduction of a Basic Income Grant. Indications at present are that the government is in favour of intensifying the Community Based Public Works Program as an alternative to the introduction of a Basic Income Grant. The Department of Transport's Road to Wealth and Job Creation was held up as a model for the implementation of a Community Based Public Works Program. As a result, the department will come under increasing pressure to intensify the Road to Wealth and Job Creation Program.


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The programs associated with the Road to Wealth and Job Creation, namely Zibambeke (a poverty alleviation program focussing on women-headed-households and Vukuzakhe (the staged emerging contractor program), were recently subjected to independent assessment to verify whether or not the programs have had the desired and planned socio-economic impact. The findings of this research proved that it is possible to put our economy on a labour absorptive growth path, and to transform a nation of job seekers into a nation of job creators. The department has committed itself to the continued expansion of these programs within the communities of KwaZulu-Natal. It should also be noted that the National Department of Transport are developing a program aimed at spreading the lessons learnt by the Department of Transport's Zibambeke and emerging entrepreneur (Vukuzakhe) models to the other Provinces.

The budgetary allocation of the department is insufficient to deal with the Provincial infrastructure backlog. This presents the department with a massive challenge to raise appropriate budgets to develop a more balanced Provincial transport infrastructure, public transportation system and to finance appropriate public security and road safety strategies. Ways available to the department to fund these budget shortfalls include possible revenue retention agreements with the Provincial Treasury, the use of Public Private Partnership (PPPs), and the generation of new revenue under the Provincial Tax Regulation Bill.

APPROVAL

The annual financial statements set out on pages 160 to 194 have been approved by the Accounting Officer.



Dr KB Mbanjwa
HEAD: TRANSPORT
31 May 2004



A U D I T O R - G E N E R A L

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF VOTE 12 - DEPARTMENT OF TRANSPORT FOR THE YEAR ENDED 31 MARCH 2004

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 160 to 194, for the year ended 31st March 2004 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 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). 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 the 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.

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 Department of Transport at 31st March 2004 and the results of its operations and cash flows for the year then ended, in accordance with prescribed accounting practice.

REPORT OF THE AUDITOR GENERAL

4. EMPHASIS OF MATTER

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

4.1 Bank reconciliation

Included in the bank overdraft is an amount of R1 169 665 relating to receipts, the source of which has not been determined at year-end and therefore remains unallocated. The effect of this is that revenue could be understated or debtors could be overstated in the financial statements.

4.2 Overall control environment

The following is a summary of the more significant audit observations raised during the course of the audit which indicates a lack of control in these areas:-

4.2.1 Asset management

Our review over the safeguarding and maintenance of assets revealed the following weaknesses:-

- The annual physical verification of the provincial vehicle fleet was not performed at year-end.
- There appears to be inadequate follow up on exception reports generated which details possible misuse of the departmental vehicle fleet.
- The department does not perform an asset reconciliation reconciling purchases and disposals recorded on the Basic Accounting System (BAS) to the subsidiary asset registers.

I was therefore unable to verify the completeness and accuracy of the asset registers produced.

4.2.2 Personnel expenditure

The process of monitoring the performance of Zibambele contractors, as detailed in the "Guideline manual for the implementation of the Zibambele road maintenance system" are currently not documented. I was therefore unable to verify that performance is being monitored and that the department is paying contractors for work actually performed.

4.2.3 Leave

Based on a sample of leave files selected for testing the following control weaknesses were noted:-

- Leave records were not correctly updated for leave taken.
- Instances were noted where the manual leave records could not be reconciled to the Persal system.

REPORT OF THE AUDITOR GENERAL

- Instances were also noted where manual records were not accurately updated with respect to the leave approved and the annual leave accrual due to the employee.

4.2.4 Expenditure

Based on a sample of expenditure payments selected for testing we identified irregular procurement practices, in contravention with the department's procurement policy, at various district offices, for expenditure amounting to R259 729.

4.2.5 Inter-departmental receivables

During our audit of inter-departmental receivables the following system weaknesses were identified:-

- Payments made by other departments into the bank account are not timeously identified and updated.
- Inter-departmental debtors are not adequately aged and monitored and no follow-ups are performed on long outstanding balances.

4.2.6 Revenue – analysis book

At one Road Traffic Inspectorate office the revenue analysis book for the period July to October 2003 could not be produced for audit purposes. We were therefore unable to perform our planned audit procedures.

4.3 Unauthorised expenditure

The total actual expenditure of the department exceeded the total budgeted expenditure by R4 690 476.57. The overspending is due to the department authorising the write off of losses without incurring savings to fund the write offs. This is reported as unauthorised expenditure in Note 12 to the financial statements.

4.4 Computer assisted audit technique exceptions

Computer assisted audit techniques were again applied this year to the data downloaded from the Motor Licensing Bureau's National Traffic Information System (NATIS). The following is a summary of the observations raised in this regard:

- 37 289 (2003: 40 170) records were identified with duplicate chassis numbers.
- 290 (2003: 364) records were identified where the engine numbers, chassis numbers and motor vehicle state code were the same, however the registration numbers of the vehicles were different.

The majority of the above errors have resulted when the data was initially transferred to the NATIS system. Some progress in rectifying the errors has taken place during the year. Our major area of concern is the duplicate chassis numbers, which is currently the most important vehicle identifier.

REPORT OF THE AUDITOR GENERAL

5. APPRECIATION

The assistance rendered by staff of the Department of Transport during the audit is sincerely appreciated.

**B R Wheeler
for Auditor-General**

**Pietermaritzburg
30 July 2004**

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS for the year ended 31 MARCH 2004

The financial statements have been prepared in accordance with the following policies, which have been applied consistently in all material respects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act and the Division of Revenue Act, Act 7 of 2003.

1. Basis of preparation

The financial statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosures. The reporting entity is in transition from reporting on a cash basis of accounting to reporting on an accrual basis of accounting. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid. Under the accrual basis of accounting transactions and other events are recognised when incurred and not when cash is received or paid.

2. Revenue

Voted funds are the amounts appropriated to a department in accordance with the final budget known as the Adjusted Estimates of Provincial Expenditure. Unexpended voted funds are annually surrendered to the Provincial Revenue Fund.

Interest and dividends received are recognised upon receipt of the funds, and no accrual is made for interest or dividends receivable from the last receipt date to the end of the reporting period. They are recognised as revenue in the financial statements of the department and then transferred annually to the Provincial Revenue Fund.

3. Current expenditure

Current expenditure is recognised in the income statement when the payment is made.

4. Unauthorised, irregular, and fruitless and wasteful expenditure

Unauthorised expenditure means:

- the overspending of a vote or a main division within a vote, or

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTER

- expenditure that was not made in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is treated as a current asset in the balance sheet until such expenditure is recovered from a third party or funded from future voted funds.

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

- the Public Finance Management Act,
- the State Tender Board Act, or any regulations made in terms of this act, or
- any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure is treated as expenditure in the income statement.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure must be recovered from a responsible official (a debtor account should be raised), or the vote if responsibility cannot be determined. It is treated as a current asset in the balance sheet until such expenditure is recovered from the responsible official or funded from future voted funds.

5. Debts written off

Debts are written off when identified as irrecoverable. Debts written off are limited to the amount of surplus funds available to the department. No provision is made for irrecoverable amounts.

6. Capital expenditure

Expenditure for physical items on hand on 31 March 2004 to be consumed in the following financial year, is written off in full when they are paid and are accounted for as expenditure in the income statement.

7. Receivables

Receivables are not normally recognised under the cash basis of accounting. However, receivables included in the balance sheet arise from cash payments that are recoverable from another party.

Receivables for services delivered are not recognised in the balance sheet as a current asset or as income in the income statement, as the financial statements are prepared on a cash basis of accounting, but are disclosed separately as part of the disclosure notes to enhance the usefulness of the financial statements.

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTER

8. Payables

Payables are not normally recognised under the cash basis of accounting. However, payables included in the balance sheet arise from cash receipts that are due to the Provincial Revenue Fund or another party.

9. Accruals

This amount represents goods/services that have been delivered, but no invoice has been received from the supplier at year end, OR an invoice has been received but remains unpaid at year end. These amounts are not recognised in the balance sheet as a liability or as expenditure in the income statement as the financial statements are prepared on a cash basis of accounting, but are however disclosed as part of the disclosure notes.

10. Employee benefits**Short-term employee benefits**

The cost of short-term employee benefits is expensed in the income statement in the reporting period when the payment is made. Short-term employee benefits, that give rise to a present legal or constructive obligation, are deferred until they can be reliably measured and then expensed. Details of these benefits and the potential liabilities are disclosed as a disclosure note to the financial statements and are not recognised in the income statement.

Termination benefits

Termination benefits are recognised and expensed only when the payment is made.

Retirement benefits

The department provides retirement benefits for its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when money is paid to the fund. No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the Provincial Revenue Fund and not in the financial statements of the employer department.

Medical benefits

The department provides medical benefits for certain of its employees through defined benefit plans. These benefits are funded by employer and/or employee contributions. Employer contributions to the fund are expensed when money is paid to the fund. No provision is made for medical benefits in the financial statements of the department.

Post retirement medical benefits for retired members are expensed when the payment is made to the fund.

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTTTER

11. Recoverable revenue

Recoverable revenue represents payments made and recognised in the income statement as an expense in previous years due to non-performance in accordance with an agreement, which have now become recoverable from a debtor. Repayments are transferred to the Revenue Fund as and when the repayment is received.

12. Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The comparative figures shown in these financial statements are limited to the figures shown in the previous year's audited financial statements and such other comparative figures that the department may reasonably have available for reporting.

INCOME STATEMENT**(STATEMENT OF FINANCIAL PERFORMANCE)****for the year ended 31 March 2004**

	Note	2003/04 R'000	2002/03 R'000
REVENUE			
Voted funds		1,560,807	1,196,632
Annual Appropriation	1	1,560,200	1,196,106
Statutory appropriation	2	607	526
Other revenue to be surrendered to the revenue fund	3	573,102	485,856
TOTAL REVENUE		2,133,909	1,682,488
EXPENDITURE			
Current			
Personnel	4	225,856	197,062
Administrative		74,156	55,624
Inventories	5	32,067	15,164
Machinery and Equipment	6	10,966	679
Land and buildings	7	6,491	4,557
Professional and special services	8	138,922	124,852
Transfer payments	9	5,787	2,497
Miscellaneous	10	922	773
Special functions: authorised losses	11	4,835	36,784
TOTAL CURRENT EXPENDITURE		500,002	437,992
Capital			
Personnel	4	120,234	121,627
Administrative		18,999	13,848
Inventories	5	59,034	59,255
Machinery and Equipment	6	47,956	64,223
Land and buildings	7	17,389	29,407
Professional and special services	8	801,884	501,111
TOTAL CAPITAL EXPENDITURE		1,065,496	789,471
TOTAL EXPENDITURE		1,565,498	1,227,463
NET SURPLUS		568,411	455,025
Add back unauthorised and fruitless and wasteful expenditure disal	12	4,691	30,831
NET SURPLUS FOR THE YEAR		573,102	485,856
Reconciliation of Net Surplus for the year			
Voted Funds to be surrendered to the Revenue Fund	17	-	-
Other Revenue to be surrendered to the Revenue Fund	18	573,102	485,856
NET SURPLUS FOR THE YEAR		573,102	485,856

BALANCE SHEET

(STATEMENT OF FINANCIAL POSITION)
at 31 March 2004

	Note	2003/04 R'000	2002/03 R'000
ASSETS			
Current assets		285,936	65,426
Unauthorised and fruitless and wasteful expenditure	12	58,351	50,112
Cash and cash equivalents	13	177	155
Receivables	14	227,408	10,981
Inventory	16	-	4,178
Voted funds to be surrendered to the Revenue Fund	17	-	-
TOTAL ASSETS		285,936	65,426
LIABILITIES			
Current liabilities		285,682	65,426
Other Revenue funds to be surrendered to the Revenue Fund	18	19,441	-
Bank overdraft	19	222,819	55,258
Payables	20	43,422	10,168
TOTAL LIABILITIES		285,682	65,426
NET ASSETS/LIABILITIES		254	-
Represented by:		254	-
Recoverable revenue		254	-
TOTAL		254	-

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2004

	Note	2003/04 R'000	2002/03 R'000
Recoverable revenue			
Opening balance		-	-
Debts written off	11.2	(699)	-
Debts raised		953	-
		<hr/>	<hr/>
Closing balance		254	-
		<hr/>	<hr/>
TOTAL		254	-
		<hr/>	<hr/>

CASH FLOW STATEMENT

for the year ended 31 March 2004

	Note	2003/04 R'000	2002/03 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash flow generated by operating activities	21	1,606,310	1,258,447
Cash generated / (utilised) to (increase)/decrease working capital	22	(187,234)	16,339
Voted funds and Revenue funds surrendered	23	(553,661)	(485,856)
Unauthorised expenditure approved		-	-
Net cash flow available from operating activities		865,415	788,930
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(1,065,496)	(789,471)
Proceeds from sale of equipment	3	32,203	14,087
Proceeds from sale of land and buildings	3	61	7
Proceeds from sale of inventories	3	24	2,786
Net cash flows from operating and investing activities		(167,793)	16,339
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in recoverable revenue		254	-
Net increase/(decrease) in cash and cash equivalents		(167,539)	16,339
Cash and cash equivalents at beginning of period		(55,103)	(71,442)
Cash and cash equivalents at end of period	24	(222,642)	(55,103)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2004

1 Annual Appropriation

1.1 Included are funds appropriated in terms of the Appropriation Act for Provincial Departments (Equitable Share):

Programmes	Total Appropriation 2003/04	Actual	Variance over/(under)	Total Appropriation 2003/04 R'000	Total Appropriation 2002/03 R'000
Administration	106,137	106,041	96	106,137	102,416
Roads	1,213,839	1,213,505	334	1,213,839	877,931
Road Traffic	202,563	203,150	(587)	202,563	188,131
Public Transport	29,461	29,509	(48)	29,461	19,778
Auxilliary and Associated Services	8,200	7,850	350	8,200	7,850
TOTAL	1,560,200	1,560,055	145	1,560,200	1,196,106

For explanations of material variances refer to Notes to Appropriation Statements.

1.2 Conditional grants

Total grants received

Annexure 1A

200,121

132,449

2 Statutory appropriation

MEC: Transport

607

526

607

526

3 Other revenue to be surrendered to the revenue fund

Description

Proceeds from sale of equipment	32,203	14,087
Proceeds from sale of land and buildings	61	7
Proceeds on sale of inventories	24	2,786
Abnormal load permits	4,545	3,248
Fines and forfeitures	23,352	21,557
Interest received on government loans	350	337
Loss Control	3,263	1,971
Road Traffic Act	505,394	438,850
Other	3,910	3,013
	573,102	485,856

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003/04 R'000	2002/03 R'000
4 Personnel		
4.1 Current expenditure		
Appropriation to Executive and Legislature	607	562
Basic salary costs	141,948	125,573
Pension contributions	21,155	18,710
Medical aid contributions	12,512	11,759
Other salary related costs	49,634	40,458
	225,856	197,062
4.2 Capital expenditure		
Basic salary costs	90,362	90,082
Pension contributions	13,696	13,302
Medical aid contributions	3,648	3,701
Other salary related costs	12,528	14,542
	120,234	121,627
Average number of capital employees	1,885	2,763
Total Personnel Costs	346,090	318,689
Total average number of employees	4,207	4,448
5 Inventories		
5.1 Current expenditure		
Inventories purchased during the year		
Fuel	400	360
Printing	2,512	1,421
Publications	2,865	2,507
Stationery	6,000	4,534
Uniforms and protective clothing	1,553	1,438
Mechanical Material	14,852	-
Other	3,885	4,904
	32,067	15,164
5.2 Capital expenditure		
Inventories purchased during the year		
Uniforms and protective clothing	1,308	1,138
Civil material	26,633	15,885
Fuel and Oil	25,771	25,268
Mechanical Material	125	14,209
Other	5,197	2,755
	59,034	59,255
Total cost of inventories	91,101	74,419
5.3 Inventories on hand at year end (for disclosure purposes only)	Costing Method	
Fuel and lubricants	Last invoice price	4,779
Tyres	Last invoice price	1,000
Filters	Last invoice price	771
Guardrails	Last invoice price	543
Other	Last invoice price	607
		7700

The value of inventory on hand disclosed is for all stores.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Notes	2003/04 R'000	2002/03 R'000
6 Machinery and equipment			
Current (Rentals, maintenance and sundry)		10,966	679
Capital	6.1	47,956	64,223
Total current and capital expenditure		58,922	64,902
6.1 Capital machinery and equipment analysed as follows:			
Computer equipment		4,989	6,703
Furniture and office equipment		2,397	5,433
Other machinery and equipment		30,078	24,409
Transport		3,921	9,127
Rentals of plant used on capital projects		6,571	18,551
		47,956	64,223
7 Land and buildings			
Current expenditure (Net of cash discounts)			
Land		19	-
Maintenance		5,773	3,718
Rental		699	839
Total current expenditure		6,491	4,557
Capital expenditure	7.1	17,389	29,407
Total current and capital expenditure		23,880	33,964
7.1 Capital land and building expenditure analysed as follows:			
Land		96	1,204
Non-residential buildings		16,287	27,097
Other structures (infrastructure assets)		1,006	1,106
		17,389	29,407
8 Professional and special services			
8.1 Current expenditure			
Auditors' remuneration			
Regulatory Audit		1,427	2,126
Contractors		29,027	33,858
Consultants and advisory services		95,714	83,006
Commissions and committees		535	880
Computer services		69	22
Other		12,150	4,960
	138,922	124,852	
8.2 Capital expenditure			
Contractors		691,982	418,487
Consultants and advisory services		93,031	65,523
Commissions and committees		457	1,355
Computer services		13,037	9,991
Other		3,377	5,755
	801,884	501,111	
Total Professional and special services		940,806	625,963
9 Transfer payments			
Transfers to public entities and institutions	Annexure 1B	5,265	2,030
Other transfers	Annexure 1C	522	467
		5,787	2,497
Analysis of transfer payments			
Current		5,787	2,497
		5,787	2,497

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Notes	2003/04 R'000	2002/03 R'000
10 Miscellaneous			
10.1 Current expenditure			
Remissions, refunds and payments made as an act of grace	10.2	57	1
Gifts, donations and sponsorships	10.3	32	-
Claims against the State		279	374
Levies: Drivers application fees		412	352
Other		142	46
		922	773
10.2 Remissions, refunds and payments made as an act of grace			
Nature of remissions, refunds and payments			
Acts of grace		56	-
Other		1	1
		57	1
10.3 Gifts, donations and sponsorships paid in cash by the department			
(items expensed during the current year)			
Nature of gifts, donations and sponsorships			
Current			
Sponsorship for annual games prizes		20	-
Corporate gifts		8	-
Other		4	-
		32	-
11 Special functions: Authorised losses			
Other material losses written off in income statement	11.1	4,136	35,925
Debts written off	11.2	699	859
		4,835	36,784
11.1 Other material losses written off in income statement			
Nature of losses			
Supplies and equipment deficits		329	218
Vehicle collisions and damages		2,135	1,443
Vehicle theft		1,168	161
Claims by the state		470	3,050
Miscellaneous		34	31,053
		4,136	35,925
11.2 Debts written off			
Nature of debts written off			
Breach of contract		105	15
Salary Overpayment		185	614
Tax debt		6	42
Other staff related write off		403	188
		699	859

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Notes	2003/04 R'000	2002/03 R'000
12 Unauthorised and fruitless and wasteful expenditure disallowed			
Unauthorised expenditure	12.1	54,029	46,114
Thefts and losses awaiting approval	12.3	4,322	3,998
		58,351	50,112
12.1 Reconciliation of unauthorised expenditure balance			
Opening balance		46,114	15,330
Correction to prior year unauthorised expenditure		7	-
Unauthorised expenditure 1997/98/99 - transferred from Treasury		3,217	-
Unauthorised expenditure current year		4,691	30,831
Approved by Parliament		-	-
Transfer to income statement – authorised losses		-	-
Transfer to receivables for recovery		-	(47)
Closing balance		54,029	46,114
12.2 Unauthorised expenditure			
Incident			
Overspending of Programme 3: Road Traffic - 2003/04		587	-
Overspending of Programme 4: Public Transport - 2003/04		48	-
Authorised losses in excess of savings on the Vote - 2003/04		4,056	-
Authorised losses in excess of savings on the Vote - 2002/03		30,838	30,831
Overspending of Programme 2: Roads - 2001/02		11,838	11,838
Overspending of Programme 4: Public Transport - 2001/02		3,034	3,034
Overspending of Programme 5: Auxillary and Associated Services - 2001/02		411	411
Unauthorised expenditure 1997/98/99 - transferred from Treasury		3,217	-
		54,029	46,114
12.3 Thefts and losses awaiting approval			
Case type			
Vehicle collisions and damage		1,532	2,183
Vehicle thefts and losses		226	363
Supplies and equipment losses		1,035	265
Claims by the State		919	984
Other		610	203
		4,322	3,998
13 Cash and cash equivalents			
Cash on hand		177	155
		177	155
14 Receivables - current			
Amounts owing by other departments	Annexure 5	225,362	8,499
Staff debtors	15.2	1,441	1,711
Other debtors	15.3	605	771
		227,408	10,981

14.1 Amounts of R Nil (2003 : R Nil) included above may not be recoverable, but have not been written off in the income statement.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Notes	2003/04 R'000	2002/03 R'000
15.1 Age analysis – receivables current			
Less than one year		241,727	9,790
One to two years		3,429	340
More than two years			
- Other - Debtor debt		8	851
		245,164	10,981
15.2 Staff debtors			
Debtor debt (new debtors system)		1,183	1,542
Debt suspense		(3)	-
Tax debt		34	-
Breach of study contract		-	4
Debt control persal other		-	83
Debt control tax debt		-	40
Debt control Vehicle accident		-	4
Miscellaneous		(9)	(3)
Salary disallowance		16	13
Housing guarantee payment		-	17
Pension receipts		(55)	(369)
Persal disallowance control: Current		-	3
Persal disallowance control: Previous		-	-
S&T control account		84	92
Salary reversal control		191	285
		1,441	1,711
15.3 Other debtors			
Dishonoured cheques		347	170
Re-issued cheque		1	-
Receipts suspense		-	598
Subsidised transport insurance		2	2
Suppliers disallowance control		-	1
Abnormal loads payovers		4	-
First Auto		46	-
Study loan deductions		1	-
Medical aid deductions		6	-
BAS Conversion Account		198	-
		605	771
16 Inventory			
Value of inventory on hand		7,700	8,080
Profit/loss on stores issues for the year		786	-
less: Capital funds		(3,902)	(3,902)
Inventory expensed		(4,584)	-
Inventory balance: Transport		-	4,178
17 Voted funds to be surrendered to the Revenue Fund			
Opening balance		-	-
Transfer from income statement		-	-
Voted funds not requested / not received		-	-
Statutory funds not requested / not received		-	-
Paid during the year		-	-
Closing balance		-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Notes	2003/04 R'000	2002/03 R'000
18 Other revenue funds to be recovered from the Revenue Fund			
Opening balance		-	-
Transfer from income statement for revenue to be surrendered		(573,102)	485,856
Paid during the year		553,661	(485,856)
Closing balance		(19,441)	-
19 Bank overdraft			
Paymaster General Account (Exchequer account)		222,819	55,258
20 Payables - current			
Description			
Amounts owing to other departments	Annexure 6	40,801	599
Advances received	20.1	2,270	9,518
Other payables	20.2	351	51
		43,422	10,168
20.1 Advances received			
<i>Received from</i>	<i>Purpose</i>		
National Department of Transport	Arrive Alive	106	106
	Bus subsidies	-	7,332
	Driver license testing centers	1,123	1,137
	Freight projects	(40)	539
	National overloading control fund	849	404
	Public Transport	221	-
National Department of Home Affairs		11	-
		2,270	9,518
20.2 Other payables			
<i>Description</i>			
Abnormal load permit payovers		-	24
Abnormal load permit deposits		22	13
Tax - Committee members and casual labour		4	2
Inter responsibility clearing account		-	12
Tax RSA		238	-
Pension deductions		13	-
Persal ACB Recalls		74	-
		351	51
21 Net cash flow generated by operating activities			
Net surplus as per Income Statement		573,102	485,856
Adjusted for items separately disclosed		1,033,208	772,591
Proceeds from sale of equipment		(32,203)	(14,087)
Proceeds from sale of land and buildings		(61)	(7)
Proceeds from sale of inventory		(24)	(2,786)
Capital expenditure		1,065,496	789,471
Adjusted for non-cash items		-	-
Net cash flow generated by operating activities		1,606,310	1,258,447

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Notes	2003/04 R'000	2002/03 R'000
22 Cash generated / (utilised) to (increase)/decrease working capital			
(Increase)/decrease in unauthorised and fruitless and wasteful expenditure		(8,239)	(30,784)
(Increase)/decrease in receivables – current		(216,427)	40,883
(Increase) in inventories		4,178	(1,046)
Increase in payables - current		33,254	7,286
		(187,234)	16,339
23 Voted funds and revenue funds surrendered			
Voted funds surrendered		-	-
Revenue funds surrendered		(553,661)	(485,856)
		(553,661)	(485,856)
24 Cash and cash equivalents at end of period			
Cash and cash equivalents		177	155
Bank overdraft		(222,819)	(55,258)
		(222,642)	(55,103)

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 MARCH 2004

These amounts are not recognised in the financial statements, and are disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act and the Division of Revenue Act, Act 7 of 2003.

	Nature	Notes	2003/04 R'000	2002/03 R'000
25 Contingent liabilities				
Liable to				
Housing loan guarantees	Employees	Annexure 3	3,092	3,695
Claims			7,541	4,503
			10,633	8,198
26 Commitments				
Current expenditure				
Approved and contracted/ordered			8,970	-
Approved but not yet contracted			-	2,195
			8,970	2,195
Capital expenditure				
Approved and contracted/ordered			170,039	6,569
Approved but not yet contracted			51,004	8,369
			221,043	14,938
Total Commitments			230,013	17,133
27 Accruals				
Listed by standard item				
Personnel			623	27
Administrative			3,499	4,378
Inventories			-	3,198
Machinery and equipment			3,286	2,956
Land and buildings			1,252	2,348
Professional and special services			113,943	16,232
Miscellaneous			-	36
			122,603	29,175
Listed by programme level				
Administration			743	3,575
Roads			110,699	21,302
Public Transport			393	552
Road Traffic			10,096	3,501
Auxilliay and Associated Services			672	245
			122,603	29,175

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2003/04 R'000	2002/03 R'000
28 Employee benefits		
Leave entitlement	76,602	69,692
Thirteenth cheque	13,778	8,967
	90,380	78,659

29 Related party transactions

All transactions entered into the by department are concluded on an arm's length basis on terms and conditions reasonably expected in an open market.

30 Key management personnel**30.1 Remuneration**

The aggregate remuneration of the key management of the department

12,813	8,264
--------	-------

The number of individuals receiving remuneration within this category

31	22
----	----

30.2 Other remuneration and compensation provided to key management and close members of the family of key management personnel

The total amount of all other remuneration and compensation provided to key management during the reporting period

• Minister	163	111
• Head: Transport	63	59
• Other members of key management	1,688	733
	1,914	903

30.3 Loans that are not widely available (and/or widely known) to persons outside the key management

No loans that are not widely available, were advanced to key management during the financial year.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 MARCH 2004

ANNEXURE 1A

STATEMENT OF CONDITIONAL GRANTS RECEIVED BY PROVINCIAL DEPARTMENTS AS AT 31 MARCH 2004

NAME OF DEPARTMENT	GRANT ALLOCATION					EXPENDITURE			
	Division of Revenue Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual (1) R'000	Unspent R'000	% of Available Spent	Capital R'000	Current R'000
(List each Grant per department from whom received)									
Provincial Infrastructure Grant	200,121	200,121	-	200,121	200,121	-	100.0%	200,121	-
	200,121	200,121	-	200,121	200,121	-		200,121	-

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 MARCH 2004

ANNEXURE 1B

STATEMENT OF TRANSFERS TO PUBLIC ENTITIES AND INSTITUTIONS BY NATIONAL/PROVINCIAL DEPARTMENTS AS AT 31 MARCH 2004

(List each Transfer by Public Entity /) Institution	GRANT ALLOCATION					EXPENDITURE		
	Appropriations Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer (1) R'000	Amount not Transferred R'000	% of Available	Capital Transferred R'000
KwaZulu-Natal Taxi Council	5,300	5,300	-	5,300	5,265	-	99.3%	-
	5,300	5,300	-	5,300	5,265	-		5,265

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 MARCH 2004

ANNEXURE 1C

STATEMENT OF OTHER TRANSFERS BY NATIONAL/PROVINCIAL DEPARTMENTS AS AT 31 MARCH 2004

(List each Transfer by Entity / Institution	GRANT ALLOCATION					EXPENDITURE		
	Appropriations Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer (1) R'000	Amount not Transferred R'000	% of Available Transferred	Capital R'000
Maintenance Main Roads Subsidies	40	40	-	40	59	(19)		-
Fencing Subsidies	480	480	-	480	55	425		-
Local authority subsidies	3,800	3,800	-	3,800	408	3,392		-
	4,320	4,320	-	4,320	522	3,798		-
								522

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 MARCH 2004

ANNEXURE 2

STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO CONTROLLED/PUBLIC ENTITIES AS AT 31 MARCH 2004

(Only Public and Private Entities)

Name of public Entity	Nature of public entities business	Relevant Act	Entity's PFMA Schedule type (State year end if not 31 March)	% Held	Number of shares held R'000	Cost of investment R'000	Profit / (Loss) for the year R'000	Are the losses guaranteed R'000	Amounts owing to Department R'000			AO Value of Investment R'000	Audit Report Status R'000
									2003/2004	2002/2003	2003/2004		
KwaZulu-Natal Taxi Council	Provincial democratically elected taxi representative body to regulate and monitor affairs of the taxi industry	Interim Minibus Taxi Act - Act 4 of 1998	3C	0.0%	-	-	217	No	138	344	138	344	0
						-	217		138	344	138	344	-

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 MARCH 2004

ANNEXURE 3

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2004

DOMESTIC/ FOREIGN (provide separate returns for Domestic and Foreign)

Guaranteed institution	Original Guaranteed capital amount R'000	Opening Balance 01/04/2003 R'000	Guarantees issued during the year R'000	Guarantees Released during the year R'000	Closing Balance 31/03/2004 R'000	Realised losses i.r.o. claims paid out R'000
Housing Guarantees						
ABSA Bank Limited	5,264	1,095	209	(329)	975	10
BOE Bank Limited	80	205	-	(189)	16	-
Cash Bank	-	-	-	-	-	-
Peoples Bank FBC Fidelity Bank Limited	150	30	-	-	30	14
FNB a division of Firststrand Bank Limited	4,705	907	328	(385)	850	32
Ithala Bank Limited	-	7	-	(7)	-	-
Nedbank Limited	1,076	141	68	(16)	193	-
Peoples' Bank NBS	395	-	189	(110)	79	-
Old Mutual (Nedbank/Permanent Bank)	2,191	598	-	(188)	410	17
FNB - Former Saambou Bank Limited	466	216	-	(131)	85	-
Standard Bank of Southern Africa Limited	2,469	496	77	(119)	454	10
	16,796	3,695	871	(1,474)	3,092	83

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 MARCH 2004

ANNEXURE 4**PHYSICAL ASSET MOVEMENT SCHEDULE (Not including inventories)**

PHYSICAL ASSETS ACQUIRED DURING FINANCIAL YEAR 2003/04	Opening Balance	Additions	Disposals	Transfers In	Transfers Out	Total
	R'000	R'000	R'000	R'000	R'000	R'000
LAND AND BUILDINGS	743,799	1,024,111		-	-	1,767,910
Land	1,204	96				1,300
Non-Residential Buildings	27,097	16,287				43,384
Other structures (Infrastructure Assets)	715,498	1,007,728				1,723,226
MACHINERY AND EQUIPMENT	45,672	41,385	-	-	-	87,057
Computer equipment	6,703	4,989	-			11,692
Furniture and office equipment	5,433	2,397	-			7,830
Other machinery and equipment	24,409	30,078				54,487
Transport assets	9,127	3,921				13,048
	789,471	1,065,496	-	-	-	1,854,967

PHYSICAL ASSETS ACQUIRED DURING FINANCIAL YEAR 2002/03	Opening Balance	Additions	Disposals	Transfers In	Transfers Out	Total
	R'000	R'000	R'000	R'000	R'000	R'000
LAND AND BUILDINGS	-	743,799	-	-	-	743,799
Land	-	1,204				1,204
Non-Residential Buildings	-	27,097				27,097
Other structures (Infrastructure Assets)	-	715,498				715,498
MACHINERY AND EQUIPMENT	-	45,672	-	-	-	45,672
Computer equipment	-	6,703				6,703
Furniture and office equipment	-	5,433				5,433
Other machinery and equipment	-	24,409				24,409
Transport assets	-	9,127				9,127
	-	789,471	-	-	-	789,471

During the year the Department disposed of fixed assets with the following book values:-

Mechanical Plant	3,531
Transport assets	7,691

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 MARCH 2004

ANNEXURE 5**INTER-DEPARTMENTAL RECEIVABLES - CURRENT**

Department	Confirmed balance outstanding		Unconfirmed balance outstanding	
	31/03/2004	31/03/2003	31/03/2004	31/03/2003
	R'000	R'000	R'000	R'000
National Departments				
Land Affairs	-	-	7	-
Labour	-	-	12	-
Justice	698	-	1,048	-
Independent Complaints Commission	-	-	5	-
Home Affairs	6	-	2	-
Government Communications	4	-	4	-
Transport	-	-	9	-
Transport - Bus subsidies	-	-	1,723	-
Provincial Departments				
Provincial Treasury	21	-	533	-
Provincial Treasury - Bus Subsidies deposited in old bank account	-	-	167,550	-
Provincial Treasury - Conversion Account	-	-	8,285	-
Provincial Treasury - Inventory	-	-	4,178	-
Office of the Premier	691	-	58	9
Safety and Security	10	-	-	-
Economic Affairs	-	-	5	1
Local Government	1,948	-	1,488	316
Welfare	2,724	-	3,889	703
Royal Household	57	-	30	22
Legislature	-	-	190	-
Housing	-	-	35	5
Agriculture	663	-	1,012	(65)
Works	463	-	-	-
Health	5,926	-	3,272	2,857
Education	14,985	-	354	265
Other	-	-	-	4,386
Public Entities				
Major public entities	-	-	11	-
National public entities	-	-	3,466	-
TOTAL	28,196	-	197,166	8,499

Comparative figures were not disclosed in the previous financial year.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

**ANNEXURES TO THE ANNUAL
FINANCIAL STATEMENTS**

for the year ended 31 MARCH 2004

ANNEXURE 6**INTER-DEPARTMENTAL PAYABLES - CURRENT**

Department	Confirmed balance outstanding		Unconfirmed balance outstanding	
	31/03/2004	31/03/2003	31/03/2004	31/03/2003
	R'000	R'000	R'000	R'000
National Departments				
Arts Culture Science & Technology	-	-	3	306
Other National Departments	-	-	674	-
Provincial Departments				
Provincial Treasury - overpayment of exchequer grant	-	-	40,000	-
Economic Affairs	-	-	23	-
Agriculture	-	-	80	-
Education	-	-	21	-
RTI Issuing Offices	-	-	-	293
TOTAL	-	-	40,801	599

APPROPRIATION STATEMENT

RECONCILIATION TO THE INCOME STATEMENT

for the year ended 31 MARCH 2004

APPROPRIATION STATEMENT

	Program							
	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / Underspend / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
1. Administration	106,137	-	106,137	106,041	96	100%	102,416	96,884
Current	92,054	-	92,054	102,161	(10,107)	111%	88,252	86,551
Capital	14,083	-	14,083	3,880	10,203	28%	14,164	10,333
2. Roads	1,213,839	-	1,213,839	1,213,505	334	100%	877,931	877,764
Current	178,279	-	178,279	168,158	10,121	94%	117,537	121,141
Capital	1,035,560	-	1,035,560	1,045,347	(9,787)	101%	760,394	756,623
3. Road Traffic	202,563	-	202,563	203,150	(587)	100%	188,131	187,893
Current	191,587	-	191,587	194,731	(3,144)	102%	179,510	171,129
Capital	10,976	-	10,976	8,419	2,557	77%	8,621	16,764
4. Public Transport	29,461	-	29,461	29,509	(48)	100%	19,778	19,739
Current	29,461	-	29,461	29,509	(48)	100%	19,778	19,739
Capital	-	-	-	-	-	0%	-	-
5. Auxillary & Associated Services	8,200	-	8,200	7,850	350	96%	7,850	7,837
Current	-	-	-	-	-	0%	-	-
Capital	8,200	-	8,200	7,850	350	96%	7,850	7,837
6. Thefts and Losses	-	-	-	4,835	(4,835)	0%	-	36,784
Current	-	-	-	4,835	(4,835)	0%	-	36,784
Capital	-	-	-	-	-	100%	-	-
7 Statutory Payments	607	-	607	607	-	0%	526	562
Current	607	-	607	607	-	100%	526	562
Capital	-	-	-	-	-	100%	-	-
Total	1,560,807	-	1,560,807	1,565,497	(4,690)	100%	1,196,632	1,227,463
Reconciliation with Income Statement								
Less: Investments acquired and capitalised during the current financial year - expensed for appropriation purposes								
Add: Local and foreign aid assistance (including RDP funds)								
Add: Other Receipts								
Less: Fruitless and wasteful expenditure								
Actual amounts per Income Statement			1,560,807	1,565,497			1,196,632	1,227,463

APPROPRIATION STATEMENT

APPROPRIATION STATEMENT

for the year ended 31 MARCH 2004

SUMMARY FOR THE DEPARTMENT

Economic classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Current								
Personnel	217,772	-	217,772	225,248	(7,476)	103%	199,262	196,499
Transfer payments	9,620	-	9,620	8,158	1,462	85%	4,684	2,497
Other	263,989	-	263,989	265,988	(1,999)	101%	201,131	236,348
Capital								
Transfer payments	-	-	-	-	-	0%	-	-
Acquisition of capital assets	1,068,819	-	1,068,819	1,065,496	3,323	100%	791,029	791,557
Statutory allocation	607	-	607	607	-	100%	526	562
Total 1	1,560,807	-	1,560,807	1,565,497	(4,690)	100%	1,196,632	1,227,463

Standard Item Classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Personnel	368,064	(20,000)	348,064	345,482	2,582	99%	327,245	318,127
Administrative	75,831	20,000	95,831	93,156	2,675	97%	73,584	69,471
Inventories	74,099	-	74,099	91,101	(17,002)	123%	75,365	74,419
Equipment	67,748	-	67,748	58,922	8,826	87%	65,492	64,902
Land and buildings	51,263	(30,000)	21,263	23,881	(2,618)	112%	37,206	33,964
Professional and special services	913,095	30,000	943,095	940,805	2,290	100%	611,020	625,964
Transfer payments	9,620	-	9,620	5,786	3,834	60%	4,684	2,497
Miscellaneous	480	-	480	922	(442)	192%	1,510	773
Special functions	-	-	-	4,835	(4,835)	100%	-	36,784
Statutory allocation	607	-	607	607	-	100%	526	562
Total 1	1,560,807	-	1,560,807	1,565,497	(4,690)	100%	1,196,632	1,227,463

APPROPRIATION STATEMENT

DETAIL PER PROGRAM 1: ADMINISTRATION

for the year ended 31 MARCH 2004

Program per subprogram	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
1.1 Minister								
Current	2,871	-	2,871	2,839	32	99%	2,435	2,173
Capital	-	-	-	25	(25)	0%	300	-
1.2 Administration								
Current	89,183	-	89,183	99,322	(10,139)	111%	85,817	84,378
Capital	14,083	-	14,083	3,855	10,228	27%	13,864	10,333
Total	106,137	-	106,137	106,041	96	100%	102,416	96,884

Economic classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Current								
Personnel	43,780	-	43,780	39,548	4,232	90%	40,088	40,533
Transfer payments	-	-	-	-	-	0%	-	-
Other	48,274	-	48,274	62,613	(14,339)	130%	48,164	46,018
Capital								
Transfer payments	-	-	-	-	-	0%	-	-
Acquisition of capital assets	14,083	-	14,083	3,880	10,203	28%	14,164	10,333
Total	106,137	-	106,137	106,041	96	100%	102,416	96,884

Standard Item classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Personnel	43,780	-	43,780	39,548	4,232	90%	40,088	40,533
Administration	22,024	-	22,024	21,973	51	100%	20,555	13,547
Inventories	2,678	-	2,678	5,198	(2,520)	194%	3,606	2,510
Equipment	2,721	-	2,721	5,054	(2,333)	186%	5,033	5,946
Land and buildings	9,285	-	9,285	2,660	6,625	29%	14,244	9,235
Professional and special services	25,602	-	25,602	31,095	(5,493)	121%	17,833	24,692
Transfer payments	-	-	-	3	(3)	0%	-	-
Miscellaneous	47	-	47	510	(463)	1085%	1,057	421
Special functions	-	-	-	-	-	0%	-	-
Total	106,137	-	106,137	106,041	96	100%	102,416	96,884

APPROPRIATION STATEMENT

DETAIL PER PROGRAM 2: ROADS

for the year ended 31 MARCH 2004

Program per subprogram	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
2.1 Technical Support Services								
Current	18,850	-	18,850	27,696	(8,846)	147%	23,900	20,386
Capital	13,565	-	13,565	16,108	(2,543)	119%	13,478	14,543
2.2 Construction								
Current	1,361	-	1,361	58,894	(57,533)	4327%	-	2,934
Capital	247,242	-	247,242	246,338	904	100%	122,391	131,279
2.2 Community Access Roads								
Current	104,629	-	104,629	24,519	80,110	23%	-	839
Capital	191,397	-	191,397	133,501	57,896	70%	210,502	206,215
2.2 Maintenance								
Current	18,541	-	18,541	75,435	(56,894)	407%	62,035	61,457
Capital	526,108	-	526,108	540,858	(14,750)	103%	360,015	354,908
2.3 Subsidies								
Current	4,320	-	4,320	2,498	1,822	58%	740	467
Capital	-	-	-	-	-	0%	-	-
2.4 Mechanical								
Current	30,578	-	30,578	(20,884)	51,462	-68%	30,862	35,058
Capital	57,248	-	57,248	108,542	(51,294)	190%	54,008	49,678
Total	1,213,839	-	1,213,839	1,213,505	334	100%	877,931	877,764

Economic classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Current								
Personnel	59,708	-	59,708	78,473	(18,765)	131%	64,094	63,393
Transfer payments	4,320	-	4,320	2,893	1,427	67%	740	467
Other	114,251	-	114,251	86,792	27,459	76%	52,703	57,281
Capital								
Transfer payments	-	-	-	-	-	0%	-	-
Acquisition of capital assets	1,035,560	-	1,035,560	1,045,347	(9,787)	101%	760,394	756,623
Total	1,213,839	-	1,213,839	1,213,505	334	100%	877,931	877,764

Standard Item classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Personnel	210,000	(20,000)	190,000	198,711	(8,711)	105%	192,077	185,021
Administrative	31,118	20,000	51,118	42,573	8,545	83%	28,412	31,697
Inventories	66,132	-	66,132	78,641	(12,509)	119%	66,008	64,022
Equipment	47,097	-	47,097	35,528	11,569	75%	43,036	43,925
Land and buildings	39,874	(30,000)	9,874	19,127	(9,253)	194%	22,502	22,842
Professional and special services	815,298	30,000	845,298	838,407	6,891	99%	525,155	529,790
Transfer payments	4,320	-	4,320	518	3,802	12%	741	467
Miscellaneous	-	-	-	-	-	0%	-	-
Special functions	-	-	-	-	-	0%	-	-
Total	1,213,839	-	1,213,839	1,213,505	334	100%	877,931	877,764

APPROPRIATION STATEMENT

DETAIL PER PROGRAM 3: ROAD TRAFFIC

for the year ended 31 MARCH 2004

Program per subprogram	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
3.1 Transport Engineering								
Current	4,511	-	4,511	5,100	(589)	113%	-	-
Capital	5,820	-	5,820	186	5,634	3%	7,248	10,078
3.2 Law Enforcement								
Current	101,487	-	101,487	107,999	(6,512)	106%	97,112	95,048
Capital	4,514	-	4,514	7,828	(3,314)	173%	843	6,564
3.3 Vehicle Registration & Licensing								
Current	44,631	-	44,631	48,498	(3,867)	109%	44,596	44,584
Capital	642	-	642	407	235	63%	530	122
3.4 Road Safety Education								
Current	40,958	-	40,958	33,134	7,824	81%	37,802	31,497
Capital	-	-	-	(2)	2	0%	-	-
Total	202,563	-	202,563	203,150	(587)	100%	188,131	187,893

Economic classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Current								
Personnel	107,728	-	107,728	102,178	5,550	95%	91,724	89,838
Transfer payments	-	-	-	-	-	0%	1	-
Other	83,859	-	83,859	92,553	(8,694)	110%	87,785	81,291
Capital								
Transfer payments	-	-	-	-	-	0%	-	-
Acquisition of capital assets	10,976	-	10,976	8,419	2,557	77%	8,621	16,764
Total	202,563	-	202,563	203,150	(587)	100%	188,131	187,893

Standard Item classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Personnel	107,728	-	107,728	102,174	5,554	95%	91,724	89,838
Administrative	21,016	-	21,016	26,085	(5,069)	124%	23,256	22,004
Inventories	5,126	-	5,126	6,763	(1,637)	132%	5,455	7,595
Equipment	11,114	-	11,114	10,748	366	97%	10,801	8,350
Land and buildings	2,104	-	2,104	2,094	10	100%	460	1,887
Professional and special services	55,042	-	55,042	54,874	168	100%	55,982	57,867
Transfer payments	-	-	-	-	-	0%	-	-
Miscellaneous	433	-	433	412	21	95%	453	352
Special functions	-	-	-	-	-	0%	-	-
Total	202,563	-	202,563	203,150	(587)	100%	188,131	187,893

APPROPRIATION STATEMENT

DETAIL PER PROGRAM 4: PUBLIC TRANSPORT

for the year ended 31 MARCH 2004

Program per subprogram	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
4.1 Public Transport								
Current	29,461	-	29,461	29,509	(48)	100%	19,778	19,739
Capital	-	-	-	-	-	0%	-	-
Total	29,461	-	29,461	29,509	(48)	100%	19,778	19,739

Economic classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Current								
Personnel	6,556	-	6,556	5,049	1,507	77%	3,356	2,735
Transfer payments	5,300	-	5,300	5,265	35	99%	3,943	2,030
Other	17,605	-	17,605	19,195	(1,590)	109%	12,479	14,974
Capital								
Transfer payments	-	-	-	-	-	0%	-	-
Acquisition of capital assets	-	-	-	-	-	0%	-	-
Total	29,461	-	29,461	29,509	(48)	100%	19,778	19,739

Standard Item classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Personnel	6,556	-	6,556	5,049	1,507	77%	3,356	2,735
Administrative	1,673	-	1,673	2,525	(852)	151%	1,361	2,223
Inventories	159	-	159	499	(340)	314%	283	292
Equipment	121	-	121	669	(548)	553%	212	271
Land and buildings	-	-	-	-	-	0%	-	-
Professional and special services	15,652	-	15,652	15,502	150	99%	10,623	12,188
Transfer payments	5,300	-	5,300	5,265	35	99%	3,943	2,030
Miscellaneous	-	-	-	-	-	0%	-	-
Special functions	-	-	-	-	-	0%	-	-
Total	29,461	-	29,461	29,509	(48)	100%	19,778	19,739

APPROPRIATION STATEMENT

DETAIL PER PROGRAM 5: AUXILLARY AND ASSOCIATED SERVICES

for the year ended 31 MARCH 2004

Program per subprogram	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
5.1 Radio Communication Services								
Current	-	-	-	-	-	0%	-	-
Capital	1,501	-	1,501	926	575	62%	1,427	1,427
5.2 Standard Stock Account								
Current	-	-	-	-	-	0%	-	-
Capital	4	-	4	-	4	0%	13	-
5.3 Provincial Motor Transport								
Current	-	-	-	-	-	0%	-	-
Capital	6,695	-	6,695	6,923	(228)	103%	6,410	6,410
Total	8,200	-	8,200	7,849	351	96%	7,850	7,837

Economic classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Current								
Personnel	-	-	-	-	-	0%	-	-
Transfer payments	-	-	-	-	-	0%	-	-
Other	-	-	-	-	-	0%	-	-
Capital								
Transfer payments	-	-	-	-	-	0%	-	-
Acquisition of capital assets	8,200	-	8,200	7,850	350	96%	7,850	7,837
Total	8,200	-	8,200	7,850	350	96%	7,850	7,837

Standard Item classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Personnel	-	-	-	-	-	0%	-	-
Administrative	-	-	-	-	-	0%	-	-
Inventories	4	-	4	-	4	0%	13	-
Equipment	6,695	-	6,695	6,923	(228)	103%	6,410	6,410
Land and buildings	-	-	-	-	-	0%	-	-
Professional and special services	1,501	-	1,501	927	574	62%	1,427	1,427
Transfer payments	-	-	-	-	-	0%	-	-
Miscellaneous	-	-	-	-	-	0%	-	-
Special functions	-	-	-	-	-	0%	-	-
Total	8,200	-	8,200	7,850	350	96%	7,850	7,837

APPROPRIATION STATEMENT

DETAIL PER PROGRAM 6: SPECIAL FUNCTIONS

for the year ended 31 MARCH 2004

Program per subprogram	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
6.1 THEFTS & LOSSES								
Current	-	-	-	4,835	(4,835)	100%	-	36,784
Capital	-	-	-	-	-	-	-	-
Total	-	-	-	4,835	(4,835)	100%	-	36,784

Economic classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Current	-	-	-	-	-	-	-	-
Personnel	-	-	-	-	-	-	-	-
Transfer payments	-	-	-	-	-	-	-	-
Other	-	-	-	4,835	(4,835)	100%	-	36,784
Capital	-	-	-	-	-	-	-	-
Transfer payments	-	-	-	-	-	-	-	-
Acquisition of capital assets	-	-	-	-	-	-	-	-
Total	-	-	-	4,835	(4,835)	100%	-	36,784

Standard Item classification	2003/04						2002/03	
	Adjusted Appropriation	Virement	Revised Allocation	Actual Expenditure	Savings / (Excess)	Expenditure as % of revised allocation	Revised Allocation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Personnel	-	-	-	-	-	-	-	-
Administrative	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-
Land and buildings	-	-	-	-	-	-	-	-
Professional and special services	-	-	-	-	-	-	-	-
Transfer payments	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Special functions	-	-	-	4,835	(4,835)	100%	-	36,784
Total	-	-	-	4,835	(4,835)	100%	-	36,784

NOTES TO THE APPROPRIATION STATEMENT

NOTES TO THE APPROPRIATION STATEMENT

for the year ended 31 MARCH 2004

1. Detail of current and capital transfers as per Appropriation Act (after Virement):

Detail of these transactions can be viewed in note 9 (Transfer payments) and Annexure 1 to the annual financial statements.

2. Detail of specifically and exclusively appropriated amounts voted (after Virement):

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the annual financial statements.

3. Detail of special functions (theft and losses)

Detail of these transactions per program can be viewed in note 11 (Details of special functions (theft and losses)) to the annual financial statements.

4. Explanations of material variances from Amounts Voted (after virement):**4.1 Per Program:**

The expenditure in all programs is in line with the budget and the Department's adjusted expectations.

4.2 Per standard item:**Personnel:**

The personnel expenditure for the year is in line with the revised allocation and the Department's expectations.

Administrative:

The administrative expenditure for the year is in line with the revised allocation and the Department's expectations.

Inventories:

This over expenditure is as a result of higher than expected fuel costs during the year, which affected the issue cost of fuel issued to the Departmental plant.

Equipment:

This under expenditure was as a result of the non-delivery of official vehicles by the manufacturers before year end.

Land and Buildings:

The over expenditure is due to claims from the Department of Works that were only received late in March 2004.

Professional and Special:

This over expenditure is due to the construction of roads for the IEC.

KWAZULU-NATAL TAXI COUNCIL**ANNUAL FINANCIAL STATEMENTS****for the year ended 31 March 2004****COMMITTEE**

MJ Lekokotla
 SG Manyathi
 LT Mtumi
 T Ndabana
 BC Ngiba (Chairman)
 VL Gumede
 SO Kubheka
 AM Mzelemu
 M E Mkhize

MJ Mthiyane
 A Sangweni
 BB Zondi
 HR Majola
 BV Molefe
 MC Cele
 PE Gumede

NATURE OF BUSINESS

Control and monitor the affairs of the taxi industry

AUDITORS

Auditor-General

REGISTERED OFFICE

83 Chapel Street
 Pietermaritzburg
 3201

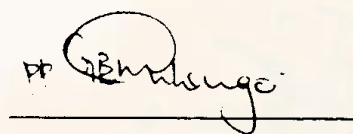
KWAZULU-NATAL TAXI COUNCIL

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Balance Sheet (Statement of Financial Position)	201
Cash Flow Statement	202
Notes to the Financial Statements	203

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been approved by the committee on 31 May 2004.

Signed on behalf of the committee by:



Chairman: B C Ngiba

REPORT OF THE AUDITOR - GENERAL

KWAZULU-NATAL TAXI COUNCIL



AUDITOR - GENERAL

REPORT OF THE AUDITOR - GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF THE KWAZULU-NATAL TAXI COUNCIL FOR THE YEAR ENDED 31 MARCH 2004

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 200 to 205, for the year ended 31 March 2004 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 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). 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 the 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.

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

3. QUALIFICATION

3.1. Personnel expenditure

It was noted that the Taxi Council is not registered with the South African Revenue Service (SARS) for the payment of employees' tax. This is in contravention with the Income Tax Act, which requires an employer to register its employees within seven days from the date of employment. The possible penalties and interest that may be levied by SARS could not be determined.

REPORT OF THE AUDITOR - GENERAL

KWAZULU-NATAL TAXI COUNCIL**4. AUDIT OPINION**

In my opinion, except for the effect on the financial statements of the matters referred to in paragraph 3.1, the financial statements fairly present, in all material respects, the financial position of the KwaZulu-Natal Taxi Council at 31 March 2004 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting practice.

5. EMPHASIS OF MATTER

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

5.1 Overall control environment

The following is a summary of the more significant audit observations raised during the course of the audit which indicates a lack of control in these areas:-

5.1.1 Asset management

A proper asset register detailing all assets owned by the Taxi Council has not been maintained. I was therefore unable to verify the existence and completeness of assets owned by the Taxi Council.

5.1.2 Expenditure

During our audit of payments for goods and services we identified the following issues which indicate a serious lack of control in these areas:-

- Payments are authorised without original supporting documentation. The risk of duplicate and fictitious payments being made is therefore increased.
- Most "paid cheques" were not received from the bank. I was therefore unable to verify the validity of payments made.
- There exists a serious lack of filing and maintenance of documents supporting expenditure incurred.
- There is no procurement policy in place to ensure that goods and services are procured economically.

5.1.3 Personnel expenditure

Although expenditure is being incurred for the preparation of payroll records, the payroll records for the period under review could not be produced for audit purposes.

REPORT OF THE AUDITOR - GENERAL

KWAZULU-NATAL TAXI COUNCIL**5.2 Minutes of committee meetings**

Proper records of the committee minutes were not maintained. In this regard certain pages of the minutes were missing and the minutes were not signed by the chairman.

5.3 Non compliance with the agreement with the Department of Transport and the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA)

The agreement between the Amathubeszwe Taxi Council and the Department of Transport was reviewed and the following areas of non compliance was noted which is also in contravention with the PFMA

- An Audit Committee in terms of section 27.1.1 of the Treasury Regulations issued in terms of the PFMA was not established during the period under review. Furthermore the agreement with the Department of Transport specifies that the audit committee will be established within 30 days of entering into the agreement.
- A system of internal audit under the control and direction of the Audit Committee was not established.
- A procurement committee which lays down the procurement policies and procedures for the Taxi Council was not established within 60 days of entering the agreement with the Department of Transport. At present no system for procurement exists within the Taxi Council which is in contravention with Section 51(1)(a)(iii) of the PFMA.

It was further noted that the above services were contracted out to a private firm in terms of an engagement letter issued on 17 October 2003. A monthly fee of R14 250 is paid to the firm without verification that the services in terms of this agreement are being fulfilled. Furthermore the agreement does not specify the period in which these services in terms of the agreement will be completed.

6. APPRECIATION

The assistance rendered by the staff of the KwaZulu-Natal Taxi Council during the audit is sincerely appreciated.

R Rabichand
for Auditor-General

Pietermaritzburg
30 July 2004

INCOME STATEMENT

KWAZULU-NATAL TAXI COUNCIL

**INCOME STATEMENT for the year ended 31 March 2004
(Statement of Financial Performance)**

	NOTE	2004 R	2003 R
INCOME		5,087,718	2,194,049
Grants received from the Department of Transport		5,059,471	2,194,049
Sundry Income		28,100	-
Interest Received		147	-
EXPENSES		4,870,528	2,194,049
Professional and special services	2	1,509,015	1,633,774
Inventory	3	-	2,187
Administrative expenditure	4	3,361,513	558,088
NET SURPLUS FOR THE YEAR		<u>217,190</u>	<u>-</u>

BALANCE SHEET

KWAZULU-NATAL TAXI COUNCIL

BALANCE SHEET at 31 March 2004
(Statement of Financial Position)

	NOTE	2004 R	2003 R
ASSETS			
Non Current Assets		175,807	-
Property, plant and equipment	5	175,807	-
Current assets		179,715	344,307
Accounts receivable	6	138,332	344,307
Bank		41,383	-
Total assets		355,522	344,307
EQUITY AND LIABILITIES			
EQUITY		217,190	-
Surplus for the year		217,190	-
LIABILITIES			
Current liabilities		138,332	344,307
Accounts payable	7	138,332	344,307
Total equity and liabilities		355,522	344,307

CASH FLOW STATEMENT

KWAZULU-NATAL TAXI COUNCIL

CASH FLOW STATEMENT
for the year ended 31 March 2004

	NOTE	2004 R	2003 R
CASH FLOWS FROM OPERATING ACTIVITIES		227,072	-
Cash paid to suppliers and employees		(4,870,528)	(2,194,049)
Grants received from the Department of Transport		5,059,471	2,194,049
Net movement on receivables and payables		-	
Sundry Income		28,247	
Add back item not affecting the flow of funds			
- Depreciation on fixed assets		9,882	
CASH FLOWS FROM INVESTING ACTIVITIES		(185,689)	
Fixed assets purchased		(185,689)	
Net increase in cash and cash equivalents		41,383	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		41,383	-

NOTES TO THE FINANCIAL STATEMENTS

KWAZULU-NATAL TAXI COUNCIL**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2004****1. Basis of accounting**

The financial statements have been, unless otherwise indicated, prepared on the historical cost basis in accordance with the under mentioned policies which have been applied consistently in all material respects.

1.1. Underlying assumptions

The financial statements have been prepared on the accrual basis of accounting except where stated otherwise. Under the accrual basis of accounting transactions and other events are recognised as and when they occur.

However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999, as amended by the Act.

The financial statements have been prepared on the historical cost basis and reliance is placed upon the fact that the entity is a going concern.

1.2. Revenue

Revenue comprises transfer payments received from the Department of Transport and is recognised in the period in which the transaction giving rise to the revenue occurs.

1.3. Expenditure

Expenditure includes both current and capital expenditure and these are recognised when incurred.

1.4. Fixed Assets

Fixed assets are shown at cost less accumulated depreciation. Depreciation is written off on a straight line basis method over the expected economic life of assets.

These rates are:

Computer equipment	33.33%
Furniture & Fittings	16.66%
Office equipment	20.00%

NOTES TO THE FINANCIAL STATEMENTS

KWAZULU-NATAL TAXI COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2004

	NOTE	2004 R	2003 R	
2. Professional and special services				
Consultants and advisory services		685,245	743,791	
Other - Security & Regions projects		446,593	59,350	
State Attorney Costs		173,217	63,343	
Board and committee members		203,960	767,290	
		<u>1,509,015</u>	<u>1,633,774</u>	
3. Inventory				
Description				
Stationery		-	2,187	
4. Administrative expenditure				
Description				
Accounting fees		179,811	-	
Advertising		153,711	-	
Bank Charges		4,210	-	
Computer Expenses		13,311	-	
Postage		16,296	-	
Electricity and Water		11,383	-	
Depreciation		9,882	-	
Departmental entertainment		44,865	-	
Office Expenses		28,072	-	
Insurance & Interest		6,540	-	
Rent		76,299	-	
RSC Levies		9,196	2,663	
Printing & Stationery		31,968	-	
Repairs & Maintenance		44,047	-	
Salaries		1,689,004	-	
Subscriptions		41,242	-	
Subsistence and Transport		212,352	495,130	
Telephone		126,017	-	
Travel		434,099	-	
Regional taxi centres		98,502	-	
Training courses/ seminars		130,706	60,295	
		<u>3,361,513</u>	<u>558,088</u>	
5. Property, Plant and Equipment				
	Cost	Acc. Deprn	2004 Book Value	2003 Book Value
Computer equipment	17,915	2,159	15,756	-
Office equipment	49,893	1,938	47,955	-
Furniture and fittings	117,881	5,785	112,096	-
	<u>185,689</u>	<u>9,882</u>	<u>175,807</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

KWAZULU-NATAL TAXI COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2004

The carrying value of fixed assets is reconciled as follows:

	Com. Equip	Office Equip	Furn. & Fitt.	Total
Book value at beginning of year	-	-	-	-
Add: current year acquisitions	17,915	49,893	117,881	185,689
Less: current year disposals	-	-	-	-
Less: current year depreciation	(2,159)	(1,938)	(5,785)	(9,882)
Book value at end of year	15,756	47,955	112,096	175,807

6. Accounts receivable
Department of Transport

2004 R	2003 R
138,332	344,307

7. Accounts payable
Various suppliers

2004 R	2003 R
138,332	344,307

REPORT OF THE AUDITOR-GENERAL ON A FOLLOW-UP PERFORMANCE AUDIT



A U D I T O R - G E N E R A L

REPORT OF THE AUDITOR-GENERAL ON A FOLLOW-UP PERFORMANCE AUDIT OF THE MANAGEMENT OF THE CONSTRUCTION AND MAINTENANCE OF ROADS AT THE DEPARTMENT OF TRANSPORT OF THE KWAZULU-NATAL PROVINCIAL ADMINISTRATION

1. PURPOSE AND CONTENT OF THE REPORT

- 1.1 The purpose of this report is to facilitate public accountability by bringing to the attention of the Provincial legislature key findings regarding the follow-up performance audit of the management of the construction and maintenance of roads at the Department of Transport of the KwaZulu-Natal Provincial Administration (Department). The content of this report is based mainly on the requirements of sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995).
- 1.2 Sufficient audit work was performed to provide substantiating audit evidence for the findings set out herein. The findings documented in this report are supported by examples of the consequences of the deficient management measures and should not be regarded as comprehensive.
- 1.3 It is hoped that this report will give rise to corrective steps, which would contribute constructively to the establishment and implementation of proper management measures and controls and, consequently to improved value for money.

2. AUDITING CONCEPTS AND APPROACH

2.1 BACKGROUND:

- 2.1.1 The auditing of government institutions takes place in a milieu in which, in the first instance, it is the responsibility of the accounting officer concerned to institute measures to:
 - (a) procure resources of the right quality in the right quantities at the right time and place at the lowest possible cost (economy);
 - (b) achieve the optimal relationship between the output of goods, services and other results and the resources used to produce them (efficiency); and
 - (c) achieve policy objectives, operational goals and other intended effects (effectiveness).

REPORT OF THE AUDITOR-GENERAL ON A FOLLOW-UP PERFORMANCE AUDIT

- 2.1.2 The promotion of economy, efficiency and effectiveness depends on adequate management measures for the planning, budgeting, authorisation, control and evaluation of the procurement and utilisation of resources. The responsibility to institute these management measures rests with management. The primary objective of performance auditing is to confirm independently that these measures do exist and are effective and to provide management, Parliament and other legislative bodies with information, by means of a structured report, on shortcomings in management measures and examples of the effects thereof.
- 2.1.3 Although the methodology of performance auditing is focused on highlighting shortcomings in management measures, this does not mean that poor or no value for money is received throughout.
- 2.1.4 It is not the Auditor-General's function to question policy. It is, however, his responsibility to investigate the effect of policy and the management measures that lead to policy decisions.
- 2.2 **MODUS OPERANDI:** The follow-up performance audit was conducted in accordance with generally accepted government auditing standards as well as the internal guidelines for the planning, execution, reporting and follow-up of performance audits. By the very nature of things it is possible in each performance audit to focus only on a segment of the activities of a particular institution. In this regard preference is given to the more important aspects. The modus operandi adopted makes provision for, inter alia, the following:
- 2.2.1 **Steering committee:** When the initial arrangements were made for the follow up performance audit, the management of the Department was informed in detail regarding the objectives and modus operandi that would be followed during the audit and arrangements were made for the establishment of a steering committee. The main purpose of the steering committee, which consisted of the audit team and senior staff members of the Department, was to secure and maintain co-operation between the parties involved. During the meetings of the steering committee efforts were made to reach consensus on matters such as audit criteria, findings and conclusions so that the eventual report would not contain any surprises for the Department and it could be afforded the opportunity for timely inputs. This approach should also lead to early corrective steps where weaknesses have been noticed. It is, however, in no way the intention or practice that the steering committee should provide the institution with a veto right in respect of the nature and scope of the performance audit or the reporting thereon. A steering committee is a consultative forum seeking consensus, but the relevant statutory powers remain vested in the Auditor-General.
- 2.2.2 **Management report:** The draft management report was submitted to the Chief Financial Officer on 30 April 2003. Notwithstanding various efforts and owing mainly to time constraints the factual correctness of the findings contained in the report was not confirmed during a formal meeting of the steering committee. However, the management report was issued on 17 July 2003 and the comments of the Head of the Department (HOD) was received on 22 September 2003 and 30 July 2004, respectively, and incorporated into the report.

REPORT OF THE AUDITOR-GENERAL ON A FOLLOW-UP PERFORMANCE AUDIT

3. SCOPE

- 3.1 During 1998 a performance audit was conducted at the Department on the management of the maintenance and construction of roads and reported under reference PR 96/1998. Owing mainly to the fact that the budgeted expenditure for maintenance and construction of roads (program 2) amounted to approximately R883 million and constituted 74 per cent of the total budget for the 2002-2003 financial year, it was decided to conduct a follow-up audit.
- 3.2 The main purpose of the follow-up performance audit was to investigate whether the Department had instituted the corrective measures as stated in the comments on the initial audit findings. This report highlights certain shortcomings that were still relevant.

4. OVERVIEW

- 4.1 Legal framework for the road network: On 22 June 2001 the KwaZulu-Natal Provincial Roads Act, No. 4 of 2001 (Act) came into effect. This Act has as its objective to, inter alia, provide for the transformation, restructuring, establishment and control of the KwaZulu-Natal Provincial road network. In terms of this Act the road network is defined as all Provincial, district and local roads. The Department is in the process of evaluating the status of all roads with the objective to define the roads in terms of this Act. In terms of section 8 of the Act, this process had to be completed by June 2003.
- 4.2 Future needs of the road network: 4.2.1 The available information with regard to the road network is extensive, both for the existing network and the estimated need of the road network. Several studies and programs have been developed to assist the Department in determining its strategic priorities and strategies. The following are examples:
- Implementation Plan for Conserving the Road Network.
 - Integrated Sustainable Rural Development Strategy (ISRDS).
 - African Renaissance Road Upgrading Program.
- 4.2.2 The biggest challenge for the Department is to achieve the objectives set for the road network within financial constraints.
- 4.3 Special programs and initiatives: 4.4.1 In the Department's efforts to contribute to the broader goals of government, innovative ways were established to construct and maintain roads. Below are examples of such initiatives:
- (a) **Zibambele:** This is a program where the rural population is uplifted in the form of labour intensive road maintenance in which a household is contracted to maintain a specific length of road.
 - (b) **Emerging contractors:** The Department classified emerging contractors into 4 stages of development with the fourth stage being the most independent and advanced.
 - (c) Various management information and monitoring systems existed and are being developed within the Department. Although these systems had not been integrated it could be used in conjunction with each other. The systems included, inter alia, the Maintenance Operations Management System (MOMS), the Project Information Management System (PIMS), Mission Direct, the Plant Cost Summary and the Pavement Management System (PMS).

5. KEY FINDINGS, POSSIBLE AREAS FOR IMPROVEMENT AS WELL AS COMMENTS OF THE ACCOUNTING OFFICER

5.1 FUNDING:

5.1.1 Programme subprogramme Although significant progress had been made to achieve the optimal ratio of personnel expenditure as a percentage of total expenditure and the Department being actively involved in obtaining additional funds, the problem of under-funding still existed. During the previous audit the Department was under-funded by 42,5 per cent and according to the Annual Report for the 2001-2002 financial year the under-funding was 46 per cent.

- (a) The Department did not succeed in obtaining any donor funding to assist in addressing the backlog with road maintenance.
- (b) The Department did not succeed in retaining any of the transport-related revenue for the construction and maintenance of roads.
- (c) The Department is still in no position to adhere to the current plant replacement policy. Although the Department reported in its 2000-2001 annual report that it is in the process of reviewing its plant needs in view of its commitment to scale down its involvement in the physical construction and maintenance of the road network, this was not formalised yet.

POSSIBLE AREAS FOR IMPROVEMENT:

- (a) The Department should continue with its performance measures and reporting to achieve the optimal ratio of personnel expenditure as a percentage of total expenditure.
- (b) The Department should explore all possible options to obtain the required funds to address the backlog in road construction and maintenance. In addition, the Department should again negotiate with Treasury to retain a portion of transport related revenue to address its needs.
- (c) The policy on plant replacement should be reviewed. The Department's commitment to scale down its physical involvement in construction and maintenance of roads should be taken into account.

COMMENTS OF THE ACCOUNTING OFFICER:

- (a) The Department has completed its restructuring process and the total number of employees has been reduced substantially. This will achieve an optimal ratio of personnel expenditure as a percentage of total expenditure.
- (b) Following the submission of a business plan on betterment and gravelling requirements of the road network, an additional amount of R65 million has been allocated to the Department specifically for betterment and gravelling project to be undertaken during the 2003-2004 financial year. Although this is still far short of the actual needs for betterment and gravelling, it will facilitate the gravelling of a number of roads that are in desperate need of this treatment. In addition, the Department's 2001 report "Implementation Plan for Conserving the Road Network" is presently being updated and will be submitted to the Provincial Treasury when complete.

- (c) The draft plant replacement policy has been finalised and will address the issue of plant distribution through the Department but is unable to address the issue of lack of funding for replacement of plant. In addition, the Department has appointed transaction advisors to conduct an investigation into establishing a Private Public Partnership (PPP) for the management and supply of plant to the Department and its Vukuzakhe contractors. A feasibility study is currently being finalised in order to obtain Treasury approval to proceed with the PPP.

5.2 IMPLEMENTATION OF THE PMS:

- 5.2.1 The accuracy of the assessment of change in road conditions was not always validated. However, the Department is currently in the process to contract specialists to perform the visual assessments of road condition in the future.
- 5.2.2 A formal assessment of the condition of gravel roads had not been done and therefore comprehensive management information regarding the backlog was not available. However, the equivalent of a PMS for gravel roads was under investigation by the Department.

POSSIBLE AREA FOR IMPROVEMENT: The efforts to improve the accuracy of the results of visual road condition inspections should be continued as well as efforts to include gravel roads in similar inspections and measurements.

COMMENTS OF THE ACCOUNTING OFFICER:

- (a) The bench marking inspections of the blacktop network were completed during the 2003-2004 financial year. A more accurate set of road condition data is now available against which existing and future data can be compared. The inspections have indicated that previous evaluations of pavement conditions were overly pessimistic.
- (b) The gravel road management system has been developed. Visual inspection data of the gravel road network started during the 2003-2004 financial year. Approximately 10 000 km of main and district roads have been inspected and an additional 6 000 km of district roads not inspected will be done during the 2004-2005 financial year. Only then will it be possible to accurately analyse the condition of the gravel road network.
- 5.3 **UTILISATION OF PLANT AND PRODUCTIVITY:** The measurement of and control over the utilisation of plant and productivity was still not always adequate.
- 5.3.1 Inaccuracies existed in the measurement of plant utilisation. The utilisation information of 7 items of plant over a period of six months at the Merebank district was analysed. The utilisation, as reported by the mechanical section in their plant cost summary, differed from the utilisation as recorded by the civil section in the COSMOS reports.
- 5.3.2 The hours worked by certain plant as reported in the plant cost summary of the mechanical section indicated low utilisation. In addition, no benchmark existed to measure the hours utilised. The results of two plant items (groups 72 and 75) were analysed for the 8-month period April 2002 to November 2002 and, although their average availability was 85 per cent, their utilisation was only 47 per cent.

5.3.3 Productivity was not always satisfactory. At Merebank low productivity occurred at the main workshops. This was also mentioned in the region's business plan. However, no detailed action plan was implemented to address the problem of low productivity. The following are examples:

- (a) During a visit to the main workshop at Merebank, it was evident that the workshop was significantly underutilised. The regional engineer confirmed this observation. It was also confirmed that the workshops were well-equipped and major repairs and services could be performed in these workshops.
- (b) The artisans at Merebank stated that they had little work to do as the majority of the work was given to contractors. Management responded that they did not have the expertise to perform the work required on heavy plant. An analysis of the timesheets of the workshop at Merebank over a period of 8 months (August 2001 to March 2002) indicated that 40 per cent of the available time was recorded as lost time.
- (c) It was not always possible to determine the efficiency of the mechanical workshops in terms of the core business it delivers. There was no standardised base to measure the productivity and cost elements in performing repairs and maintenance. This contributed to the fact that benchmarking with other service providers could not be done.

5.3.4 At Merebank the target pass rate for apprentice training was 80 per cent. The actual results indicated that 7 people wrote trade tests and only 2 passed (approximately 29 per cent)

POSSIBLE AREAS FOR IMPROVEMENT:

- (a) The inaccuracies in recording management information should be eliminated as far as possible by, inter alia, performing cross checks between the different systems such as COSMOS, plant cost summary and the mission direct performance management system.
- (b) All relevant factors that affect the utilisation of plant should be identified and addressed. In addition, targets should be set for the utilisation of plant and where possible this should be used to benchmark against other service providers. This could assist the Department in measuring its competitiveness as implementation agent, which is one of the elements in its vision to be client/customer/service provider focused.
- (c) The measure of cost effectiveness should be expanded to include efficiencies. Attempts should be made to standardise different types of repairs and maintenance in terms of time and cost and then to measure and manage deviations. However, one problem with regard to standardisation and training is the fact that the Department utilises various makes of plant. The Department should consider the standardisation of plant as far as possible (if it is a strategy to keep on maintaining a fleet of plant).
- (d) An analysis of the available skills should be done and should be measured against the required skills. Detailed action plans should be developed to address the possible skills gap that exists.
- (e) Steps should be taken to improve the utilisation of the workshops.

COMMENTS OF THE ACCOUNTING OFFICER:

- (a) The alignment of the activities and the output measures from the various systems is being addressed on an ongoing basis. An exercise was undertaken during February and March 2003 to standardise the Mission Directed Work Teams (MDWT) outputs between the four regions and to align these with the monthly service delivery measures. All utilisation calculations are now standardised and the utilisation of plant has now been bench marked at 60 per cent, which is the industry norm for this class of machinery. This target is currently being met.
- (b) In respect of plant availability, the same source document is utilised for COSMOS and plant cost summary. In addition, staff training is taking place to ensure that the project data entered into PIMS is done accurately.
- (c) A plant task team has prepared a plant policy document that is intended to give decision makers guidelines on how to deal with issues affecting the purchasing and distributions of plant. This policy will improve the Department's plant utilisation reporting methods and the movement of plant between regions.
- (d) The standardisation of the plant fleet would simplify repairs, training of staff and the provision of specialised equipment. However, the Department is governed by procurement legislation and rules and plant is purchased on open tender with all manufacturers able to submit offers. The lowest quote to specification is awarded the tender, which leads to a variety of plant types. The initiation of a PPP for the management of the plant fleet would overcome this problem of various plant types.
- (e) The MDWT program is a management tool to achieve good governance principles and productivity improvements by measuring moral, which is a function of productivity. In this regard the staff moral at the now combined workshop has been improving.
- (f) Skills co-ordinators have been appointed in regions to perform a skills audit and to compile a skills development plan.
- (g) The warranties on new plant require that the manufacturer perform all servicing during the warranty period. This has an adverse effect on the level of work allocated to internal staff for the maintenance of diesel machinery.

5.4 PROJECT MANAGEMENT:

Certain projects were evaluated based on documentation obtained which indicated that effective project management did still not always take place.

- 5.4.1 The Department concluded a contract with a contractor to provide plant to conduct drainage work on Road P338 for the period 18th June to 15th July 2002 at an estimated cost of R133 400. The following problems, which could be attributed to inadequate project management, existed:

- (a) The contractor only started on 5 July 2002. Management indicated that the contractor caused the delay. However, in terms of clause 2.17 of contract ZNT 1110/00 T mutual agreement between both parties on the period should be made during the request for services.

- (b) Clause 2.24 of the above contract stipulated that plant that has an average availability of less than 85 per cent in a two-week period may be considered as being unsatisfactory. The excavator on this project broke down continuously, resulting in the plant not meeting the requirement. The average percentage availability of the combination team over the period of the contract was only 55 per cent.
- (c) As at the end of July 2002 the total payments made to the contractor amounted to R85 810, which constituted approximately 64 per cent of the allocated amount. According to management only 2 of the 9 kilometres had been completed and all the plant was removed from site. However, no management information was available to indicate the actual percentage of completion of the project. Furthermore, the reporting of work done by the plant hire contractors did not take place on COSMOS.

POSSIBLE AREAS FOR IMPROVEMENT:

- (a) The requirements of contract ZNT 1110/00 T should be strictly applied to ensure that the Department receives value for money throughout. In addition, consideration should be given to include penalty clauses in the contract to protect the interest of the Department.
- (b) Project monitoring should take place throughout the period of a project and problems should be addressed timeously.
- (c) The efficiency of work should be measured throughout the period of a contract. This will enable the Department to evaluate the contractor's performance and to take the necessary action if needed.

COMMENTS OF THE ACCOUNTING OFFICER:

Additional instructions were issued to the regions in respect of the management and control of plant hired on the ZNT 1110 contract to ensure that proper controls were applied in terms of the contract. However, the above contract expired on 30th June 2004 and a new plant hire contract would be in force by August 2004. In addition, a training program has been prepared for all regional staff that will be involved with this contract and training will be undertaken during August 2004.

5.5 MANAGEMENT INFORMATION:

- 5.5.1 Proper training for the COSMOS operators had not been done. An evaluation of the weekly COSMOS returns at Mountain Rise for the period September 2001 to July 2002 indicated an average error rate of 36 per cent.
- 5.5.2 Although there were numerous sources available to measure efficiency, the following shortcomings existed:
 - (a) In some instances where plant was hired, the utilisation in terms of hours was recorded on COSMOS but not the quantity of work done. Unit cost could therefore not be calculated in these instances.
 - (c) In some cases where contractors performed work it was not recorded on the COSMOS system. Although contractors were only paid for work done, this problem resulted in the record of work done per road being incomplete.

POSSIBLE AREAS FOR IMPROVEMENT:

- (a) A proper training program for COSMOS operators and the required capacity to implement such a program should be developed.
- (b) Skills shortages should be identified on a proactive basis and it should form the basis of designing a training program.
- (c) A process should be followed whereby reports such as the error log-sheet produced by COSMOS should be used by management for control purposes. The effective utilisation of such a report could be an example of active risk management practices performed by management.
- (d) Although it is acknowledged that the introduction of the mission direct performance management system could improve the measurement and control of efficiencies over work done on projects, the Department should strive towards developing efficiency benchmarks for outputs. This could then be used to measure and correct productivity if needed.
- (e) Work done by contractors and quantity of work done by hired plant should be included in the management information.

COMMENTS OF THE ACCOUNTING OFFICER:

- (a) COSMOS is a very old system that requires considerable enhancements for it to be able to record all data in the required format, especially in respect of work undertaken by contract. Program structures and business procedures have changed considerably since COSMOS was first implemented and it is unable to capture and report effectively or accurately on external work. PIMS has been implemented and is being utilised to provide selected higher-level information on all projects, for both internal and external work.
- (b) The development of a new single integrated management information system has been identified as a priority for the Department. Proposals from suppliers have been received and are being assessed.

5.6 STAFF ESTABLISHMENT:

Significant vacancies still existed. According to the Budget Statements for 2003/2004, the approved establishment was 5 432 posts of which 4 800 were filled. The vacancy rate was therefore approximately 12 per cent.

POSSIBLE AREA FOR IMPROVEMENT:

As the restructuring process had been finalised, adequate steps should be taken to ensure that all funded posts are filled timeously.

COMMENTS OF THE ACCOUNTING OFFICER:

- (a) The Department has completed its restructuring process and the majority of the new management positions in the regional structures have been filled. Regional managers are currently in the process of appointing suitable staff to fill the remaining posts.
- (b) The availability of suitable qualified engineers continues to challenge the Department. To alleviate this situation, the Department is actively involved in nurturing prospective

technical employees by providing scholarships to civil engineering students and mentorship programs for young technical graduates.

6. APPRECIATION

The assistance rendered by the staff of the Department during the audit is sincerely appreciated.

**BR Wheeler
for Auditor-General**

**Pietermaritzburg
31 July 2004**

