



KwaZulu-Natal Taxi Council Annual Report

For the period ended 27 August 2008
and
For the year ended 31 March 2008

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KwaZulu-Natal Taxi Council Annual Report for the period ended 27 August 2008 and for the year ended 31 March 2008

Part A

Financial Statements for the period ended 27 August 2008	3
• Directors' report	5
• Report of the Auditor-General	7
• Statement of Financial Position	13
• Statement of Financial Performance	14
• Statement of Changes in Net Assets	15
• Statement of Cash Flows	16
• Notes to the Financial Statements	17

Part B

Annual Financial Statements for the year ended 31 March 2008	24
• Directors' report	26
• Report of the Auditor-General	28
• Statement of Financial Position	34
• Statement of Financial Performance	35
• Statement of Changes in Net Assets	36
• Statement of Cash Flows	37
• Notes to the Annual Financial Statements	38

KwaZulu-Natal Taxi Council

Registration number : 2001/020297/08

Part A

Financial Statements

for the period ended 27 August 2008

KwaZulu-Natal Taxi Council

Financial Statements

for the period ended 27 August 2008

CONTENTS	PAGE
Directors' Report	5
Report of the Auditor-General	7
Statement of Financial Position	13
Statement of Financial Performance	14
Statement of Changes in Net Assets	15
Statement of Cash Flows	16
Notes to the Financial Statements	17

The financial statements have been approved by the committee on 9th September 2009.

Signed on behalf of the committee by:


Chairman

KwaZulu-Natal Taxi Council

Directors' Report

for the period ended 27 August 2008

The directors have pleasure in submitting their report together with the audited statements for the period ended 27 August 2008.

General review

The Taxi Council has been deregistered as at the 27th August 2008. Subsequent to this the affairs of the Taxi Council has been taken over by The KwaZulu-Natal Department of Transport.

Statement of responsibility

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

The directors are also responsible for the Council's system of internal financial controls. This is designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss.

The financial statements have been prepared on a liquidation basis, since the deregistration of the entity has taken place on the 27th of August 2008. The Department of Transport will take over the administration of all payments regarding the operations for the foreseeable future.

Financial results

The financial results show a net loss of R 59,000. Full details of the financial results are set out on pages 13 to 23.

KwaZulu-Natal Taxi Council

Directors' Report

for the period ended 27 August 2008

Directors

The management committee of the Taxi Council are :

Executive Council members

Nkosi M R
Ngiba B
Mtumi L T
Mazibuko M P
Mabika MJ
Manqele P J
Manyathi SG
Ngobo T S
Mchunu M A
Mvelase M
Hadebe B
Sangweni A
Mkhize ME
Mthethwa S C
Gumede V L
Mthiyane MJ
Ntuli DZ
Majola HR
Mvelase W
Zondi B.
Hadebe DB

Addresses

Business

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**REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL
LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE
INFORMATION OF THE KWAZULU-NATAL TAXI COUNCIL FOR THE PERIOD ENDED
27 AUGUST 2008**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the KwaZulu-Natal Taxi Council which comprise the statement of financial position as at 27 August 2008, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 13 to 23.

The accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 55(1) of the PFMA, my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Revenue

Other income

4. The completeness, occurrence and accuracy of other income totalling R28 000 in the statement of financial performance could not be confirmed due to the limitation of scope placed upon my work by the entity. In this regard, supporting documentation and/or related explanations were not provided by the entity on request. Alternative audit procedures could not be performed due to the absence of key financial personnel throughout the audit.

Expenditure

Other operating expenses

5. I did not obtain all the information and explanations I considered necessary to satisfy myself as to the completeness, occurrence and accuracy of an amount of R20 000, relating to depreciation that is included as "Other operating expenses" in the statement of financial performance. The entity's records did not permit the application of alternative audit procedures, as no explanations and/or documentation could be provided in support thereof.

Sponsorships and donations

6. The completeness, occurrence and accuracy of sponsorships and donations totalling R67 000 in the statement of financial performance could not be confirmed due to the limitation of scope placed upon my work by the entity, in this regard, the supporting documentation and/or related explanations were not provided by the entity on request, due to the absence of key financial personnel throughout the audit.

Disclaimer of opinion

7. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

Public Finance Management Act

8. The public entity did not implement an effective and efficient system of record keeping, as required by section 50(1)(a) of PFMA.

Governance framework

9. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting authority and executive management and are reflected in the key governance responsibilities addressed below:

Internal control deficiencies

10. Section 51(1)(a)(i) of the PFMA states that the accounting authority must ensure that the public entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the disclaimer of opinion. The root causes are categorised according to the five

components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for disclaimer of opinion	CE	RA	CA	IC	M
4.	Other income	2,5,6		3,4,5		1
5.	Other operating expenses	2,5,6		3,4,5		1
6.	Sponsorships and donations	2,5,6		3,4,5		1

11. The entity did not submit requested information and documentation in support of its financial affairs for the period under review. Moreover, there was a lack of effective, efficient and transparent systems of financial and risk management and internal control in place during the period under review.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

12. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		<input type="checkbox"/>
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.	<input type="checkbox"/>	
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	<input type="checkbox"/>	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines, as set out in section 55(1)(c)(i) of the PFMA.		<input type="checkbox"/>
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.		<input type="checkbox"/>
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The public entity had an audit committee in operation throughout the financial year. 		<input type="checkbox"/>
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 		<input type="checkbox"/>
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.2. 		<input type="checkbox"/>
7.	Internal audit		<input type="checkbox"/>
	<ul style="list-style-type: none"> The public entity had an internal audit function in operation throughout the financial year. 		<input type="checkbox"/>
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 		<input type="checkbox"/>
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2. 		<input type="checkbox"/>
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		<input type="checkbox"/>
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		<input type="checkbox"/>
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		<input type="checkbox"/>
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used, as set out in Treasury Regulation 27.2.		<input type="checkbox"/>
12.	Delegations of responsibility are in place, as set out in section 56 of the PFMA.		<input type="checkbox"/>
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		<input type="checkbox"/>
14.	SCOPA/Oversight resolutions have been substantially implemented.		<input type="checkbox"/>

No.	Matter	Y	N
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		<input type="checkbox"/>
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		<input type="checkbox"/>
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the KwaZulu-Natal Taxi Council against its mandate, predetermined objectives, outputs, indicators and targets, as set out in Treasury Regulation 30.1.		<input type="checkbox"/>
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		<input type="checkbox"/>

13. The public entity did not comply with effective and efficient risk management, internal control and governance practices. Moreover, requested information could not be provided for audit and the quality of financial statements was compromised due to the lack of supporting documentation. Furthermore key officials were not available throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

14. I was engaged to review the performance information.

The accounting authority's responsibility for the performance information

15. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

The Auditor-General's responsibility

16. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
17. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
18. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

No reporting of performance information

19. The entity has not reported performance against predetermined objectives, as required by section 55(2)(a) of the PFMA.

Lack of effective, efficient and transparent systems and internal controls regarding performance information

20. The accounting authority did not ensure that the entity has and maintains an effective, efficient and transparent system and internal controls regarding performance information, which describe and represent how the entity's processes of performance planning, monitoring, measurement, review and reporting will be conducted, organised and managed as required by section 51(1)(a)(i) of the PFMA.

APPRECIATION

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

Auditor - General

Pietermaritzburg

23 April 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

KwaZulu-Natal Taxi Council

Statement of Financial Position

as at 27 August 2008

		Period ended 27 August 2008 R'000	2008 R'000
ASSETS	Notes		
Non current assets		-	87
Property, Plant and Equipment	8	-	87
Intangible assets	9	-	-
Current assets		-	-
Cash and cash equivalents	10	-	-
		-	87
EQUITY AND LIABILITIES			
Capital and reserves		-	59
Accumulated surplus		-	59
Current liabilities		-	28
Trade and other payables	11	-	9
Other current liabilities	12	-	19
		-	87

KwaZulu-Natal Taxi Council

Statement of Financial Performance

for the period ended 27 August 2008

		Period ended 27 August 2008 R'000	2008 R'000
Continuing operations	Notes		
Grants and transfers	2	-	137
Other income	3	28	48
		<u>28</u>	<u>185</u>
Administrative expenses	4	-	(14)
Staff costs	5	-	(449)
Other operating expenses	6	(20)	(201)
Sponsorships and Donations	7	(67)	-
		<u>(87)</u>	<u>(664)</u>
Deficit from operations		(59)	(479)
Deficit for the year		<u>(59)</u>	<u>(479)</u>

KwaZulu-Natal Taxi Council

Statement of Changes in Net Assets

for the period ended 27 August 2008

	Accumulated profit	Total
	R'000	R'000
Balance at 1 April 2007	538	538
Deficit for the year	<u>(479)</u>	<u>(479)</u>
Balance at 1 April 2008	59	59
Deficit for the year	<u>(59)</u>	<u>(59)</u>
Balance at 27 August 2008	<u>-</u>	<u>-</u>

KwaZulu-Natal Taxi Council

Statement of Cash Flows

for the period ended 27 August 2008

	Notes	Period ended 27 August 2008	2008
		R	R
Operating activities			
Cash utilised in operations		-	(2,202)
Net cash (used in) investing activities		-	-
Net cash flow from financing activities	14	-	(41)
Net decrease in cash and cash equivalents		<u>-</u>	<u>(2,243)</u>
Cash and cash equivalents at the beginning of the year		-	2,243
Cash and cash equivalents at the end of the year	10	<u>-</u>	<u>-</u>

KwaZulu-Natal Taxi Council

Notes to the Financial Statements

for the period ended 27 August 2008

1. Accounting Policies

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

The following are the principle accounting policies of the entity which are, in all material respects, consistent with those applied in the previous year.

1.1 Basis of preparation

The financial statements have been prepared on the liquidation basis. The financial statements have been prepared for the period ending 27 August 2008, due to deregistration of the Taxi council as a schedule 3C public entity on this date, as per directive from the Minister.

1.2 Revenue

Revenue comprises government grants received from the Department of Transport and is recorded at the date of the transaction.

1.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method. The expected useful lives are as follows:

Furniture and fittings	6 years
Office equipment	5 years

1.4 Financial Instruments

Recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes a party to the contractual provisions of the instrument.

KwaZulu-Natal Taxi Council

Notes to the Financial Statements

for the period ended 27 August 2008

Measurement

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

Financial liabilities

The entity's principle financial liability comprises accounts payable

Trade payables

Trade and other payables are stated at their nominal value.

1.5 Government grants

Government grants are recognised when it is probable that future economic benefits will flow to the public entity and these benefits can be measured reliably. The grant is recognised to the extent that there are no further obligations arising from the receipt of the grant.

1.6 Comparative figures

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

1.7 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term, highly liquid investments that are held with registered banking institutions that are subject to insignificant interest rate risk.

1.8 Provisions

Provisions are recognised when the Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

KwaZulu-Natal Taxi Council

Notes to the Financial Statements

for the period ended 27 August 2008

	Period ended 27 August 2008 R'000	2008 R'000
2. Grants and transfers		
Provincial departments	-	137
	<u>-</u>	<u>137</u>
3. Other income		
Other income received	28	47
Interest received	-	1
	<u>28</u>	<u>48</u>
4. Administrative expenses		
Entertainment	-	2
Venues and Facilities	-	9
Bank Charges	-	3
	<u>-</u>	<u>14</u>
5. Staff costs		
Basic salaries	-	449
	<u>-</u>	<u>449</u>
6. Other operating expenses		
Amortisations	-	1
Catering costs	-	4
Cleaning	-	1
Communication costs	-	53
Consultants, contractors and special services	-	25
Depreciation		
- office furniture and fittings	8	19
- office equipment	12	29
Maintenance repairs and running costs	-	2
General expenses	-	67
	<u>20</u>	<u>201</u>

KwaZulu-Natal Taxi Council

Notes to the Financial Statements

for the period ended 27 August 2008

7. Donations and Sponsorships

Movable Assets	67	-
	<u>67</u>	<u>-</u>

The balance of movable assets has been donated to the Taxi Council offices for the remainder of the useful life.

8. Property, plant and equipment

	Office furniture and fittings R'000	Office equipment R'000	Total R'000
Period ended 27 August 2008			
Opening net carrying amount	31	56	87
Gross carrying amount	50	85	135
Accumulated depreciation	(19)	(29)	(48)
Depreciation charge	(8)	(12)	(20)
Donation of assets	(23)	(44)	(67)
Net carrying amount at 27 August 2008	<u>-</u>	<u>-</u>	<u>-</u>
	Office furniture and fittings R'000	Office equipment R'000	Total R'000
Year ended 31 March 2008			
Opening net carrying amount	50	85	135
Gross carrying amount	69	110	222
Accumulated depreciation	(19)	(25)	(87)
Depreciation charge	(19)	(29)	(48)
Net carrying amount at 31 March 2008	<u>31</u>	<u>56</u>	<u>87</u>

Depreciation for the period amounted to R20,000. The balance off assets has been donated at no cost for the use of the Taxi Council board to be used for the remainder of their useful life. This was due to the deregistration of the Taxi Council as at 27 August 2008.

KwaZulu-Natal Taxi Council

Notes to the Financial Statements

for the period ended 27 August 2008

9. Intangible assets

	Computer Software R'000	Total R'000
Period ended 27 August 2008		
Opening net carrying amount	-	-
Gross carrying amount	-	-
Accumulated amortization	-	-
	-	-
Net carrying amount at 27 August 2008	-	-
Year ended 31 March 2008		
Opening net carrying amount	1	1
Gross carrying amount	3	3
Accumulated amortization	(2)	(2)
Amortization	(1)	(1)
	-	-
Net carrying amount at 31 March 2008	-	-

KwaZulu-Natal Taxi Council

Notes to the Financial Statements

for the period ended 27 August 2008

	Period ended 27 August 2008 R'000	2008 R'000
--	---	---------------

10. Cash and cash equivalents

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

Cash at bank	-	-
	<u>-</u>	<u>-</u>

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

Due to deregistration of the Taxi Council, the bank account has been closed with effect from 27 August 2008.

11. Trade and other payables

Trade creditors	-	9
	<u>-</u>	<u>9</u>

12. Other current liabilities

Leave pay provision	-	19
	<u>-</u>	<u>19</u>

KwaZulu-Natal Taxi Council

Notes to the Financial Statements

for the period ended 27 August 2008

	Period ended 27 August 2008 R'000	2008 R'000
13. Reconciliation of surplus/(deficit) to cash generated from/(utilised in) operations		
Deficit	(59)	(479)
Adjusted for:		
Depreciation	20	48
Amortisation	-	1
Investment income	-	(1)
Operating cash flows before working capital changes	-	(431)
Working capital changes		
Decrease in payables	(9)	(1,771)
Decrease in provisions	(19)	-
Assets donated	67	-
Cash generated from operations	-	(2,202)
14. Net cash used in financing activities		
Repayment of borrowings	-	(41)
Cash used in financing activities	-	(41)

KwaZulu-Natal Taxi Council

Registration number : 2001/020297/08

Part B

Annual Financial Statements for the year ended 31 March 2008

KwaZulu-Natal Taxi Council

Annual Financial Statements

for the year ended 31 March 2008

CONTENTS	PAGE
Directors' Report	26
Report of the Auditor-General	28
Statement of Financial Position	34
Statement of Financial Performance	35
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The annual financial statements have been approved by the committee on 9th September 2009.

Signed on behalf of the committee by:


Chairman

KwaZulu-Natal Taxi Council

Directors' report

for the year ended 31 March 2008

The directors have pleasure in submitting their report together with the audited annual financial statements for the year ended 31 March 2008.

General review

The Taxi Council has been deregistered as at the 27th August 2008. Subsequent to this the affairs of the Taxi Council has been taken over by The KwaZulu-Natal Department of Transport.

Statements of responsibility

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice, and in the manner required by the Public Finance Management Act, 1999 (Act No. 1. of 1999).

The directors are also responsible for the Council's system of internal financial controls. This is designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss.

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the Council has adequate resources in place to continue in operation for the foreseeable future, provided funding from the Department of Transport continues.

Financial results

The financial results show a net loss of R 479,000. Full details of the financial results are set out on pages 34 to 44.

KwaZulu-Natal Taxi Council

Directors' report

for the year ended 31 March 2008

Directors

The management committee of the Taxi Council are :

Executive Council members

Nkosi M R
Ngiba B
Mtumi L T
Mazibuko M P
Mabika MJ
Manqele P J
Manyathi SG
Ngobo T S
Mchunu M A
Mvelase M
Hadebe B
Sangweni A
Mkhize ME
Mthethwa S C
Gumede V L
Mthiyane MJ
Ntuli DZ
Majola HR
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REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF KWAZULU-NATAL TAXI COUNCIL FOR THE YEAR ENDED 31 MARCH 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the KwaZulu-Natal Taxi Council which comprise the statement of financial position as at 31 March 2008, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 44.

The accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 55(1) of the PFMA, my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Property, plant and equipment

4. The existence, completeness, rights and obligation and the valuation of property, plant and equipment stated at R87 000 in note 7 to the financial statements could not be confirmed due to the limitation of scope placed upon my work by the entity. Alternative audit procedures could not be performed due to the absence of key financial personnel throughout the audit.

Other current liabilities

5. The existence, completeness and the valuation of other current liabilities balance of R19 000 as disclosed in note 11 to the financial statements could not be confirmed due to the limitation of scope placed upon my work by the entity. Alternative audit procedures could not be performed due to the absence of key financial personnel throughout the audit.

Trade and other payables

6. The existence, completeness and valuation of the trade and other payables balance of R9 000 as disclosed in note 10 to the financial statements could not be confirmed due to the limitation of scope placed upon my work by the entity. Alternative audit procedures could not be performed due to the absence of key financial personnel throughout the audit.

Accumulated surplus

7. The existence, completeness and valuation of accumulated surplus amounting to R59 000 as disclosed in the statement of changes in net assets could not be confirmed due to the limitation of scope placed upon my work by the entity. Alternative audit procedures could not be performed due to the absence of key financial personnel throughout the audit.

Expenditure

8. The completeness, occurrence and accuracy of administrative expenses, staff costs and other operating expenses totalling R664 000 disclosed in the statement of financial performance could not be confirmed due to the limitation of scope placed upon my work by the entity. Alternative audit procedures could not be performed due to the absence of key financial personnel throughout the audit.

Other income

9. Outstanding cheques and credit notes totalling R14 400 and R34 200 respectively were incorrectly allocated to other income. Supporting documentation and explanations could not be provided on request. Alternative audit procedures could not be performed due to the absence of key financial personnel throughout the audit.

Disclaimer of opinion

10. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Emphasis of matter

I draw attention to the following matter on which I do not express a disclaimer of opinion:

Going concern

11. While the KwaZulu-Natal Taxi Council has prepared financial statements on a going concern basis, there are uncertainties regarding the future financial sustainability of the entity due to the decision taken to delist the entity in August 2008. The entity has also incurred a net loss of R479 000 in the current year under review, which further indicates that its financial sustainability is at risk.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

Public Finance Management Act

12. The public entity did not implement an effective and efficient system of record keeping, as required by section 50(1)(a) of PFMA.

Governance framework

13. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting authority and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

14. Section 51(1)(a)(i) of the PFMA states that the accounting authority must ensure that the public entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the disclaimer of opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for disclaimer of opinion	CE	RA	CA	IC	M
4	Property, plant and equipment	2,5,6		3,4,5		1
5	Other current liabilities	2,5,6		3,4,5		1
6	Trade and other payables	2,5,6		3,4,5		1
7	Accumulated surplus	2,5,6		3,4,5		1
8	Expenditure	2,5,6		3,4,5		1
9	Other income	2,5,6		3,4,5		1

15. The entity did not submit requested information and documentation in support of its financial affairs for the year under review. Moreover, there was a lack of effective, efficient and transparent systems of financial and risk management and internal control in place during the year under review.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer does not exercise oversight responsibility over financial reporting and internal	5

control.	
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

16. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		?
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.	?	
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	?	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines, as set out in section 55(1)(c)(i) of the PFMA.		?
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.		?

No.	Matter	Y	N
6.	Audit committee		
	The public entity had an audit committee in operation throughout the financial year.		<input type="checkbox"/>
	The audit committee operates in accordance with approved, written terms of reference.		<input type="checkbox"/>
	The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.		<input type="checkbox"/>
7.	Internal audit		<input type="checkbox"/>
	The public entity had an internal audit function in operation throughout the financial year.		<input type="checkbox"/>
	The internal audit function operates in terms of an approved internal audit plan.		<input type="checkbox"/>
	The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.		<input type="checkbox"/>
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		<input type="checkbox"/>
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		<input type="checkbox"/>
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		<input type="checkbox"/>
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used, as set out in Treasury Regulation 27.2.		<input type="checkbox"/>
12.	Delegations of responsibility are in place, as set out in section 56 of the PFMA.		<input type="checkbox"/>
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		<input type="checkbox"/>
14.	SCOPA resolutions have been substantially implemented.		<input type="checkbox"/>
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		<input type="checkbox"/>
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		<input type="checkbox"/>
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the KwaZulu-Natal Taxi Council against its mandate, predetermined objectives, outputs, indicators and targets, as set out in Treasury Regulation 30.1.		<input type="checkbox"/>
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		<input type="checkbox"/>

17. The public entity did not comply with effective and efficient risk management, internal control and governance practices. Moreover, requested information could not be provided for audit and the quality of financial statements was compromised due to the lack of the supporting documentation. Furthermore key officials were not available throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

18. I was engaged to review the performance information.

The accounting authority's responsibility for the performance information

19. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

The Auditor-General's responsibility

20. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
21. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
22. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

No reporting of performance information

23. The entity has not reported performance against predetermined objectives, as required by section 55(2)(a) of the PFMA.

Lack of effective, efficient and transparent systems and internal controls regarding performance information

24. The accounting authority did not ensure that the entity has and maintains an effective, efficient and transparent system and internal controls regarding performance information, which describe and represent how the entity's processes of performance planning, monitoring, measurement, review and reporting will be conducted, organised and managed, as required by section 51(1)(a)(i) of the PFMA.

APPRECIATION

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

Auditor - General

Pietermaritzburg

23 April 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

KwaZulu-Natal Taxi Council

Statement of Financial Position

as at 31 March 2008

		2008 R'000	2007 R'000
ASSETS	Notes		
Non current assets		87	136
Property, Plant and Equipment	7	87	135
Intangible assets	8	-	1
Current assets		-	2,243
Cash and cash equivalents	9	-	2,243
		87	2,379
EQUITY AND LIABILITIES			
Capital and reserves		59	538
Accumulated surplus		59	538
Current liabilities		28	1,841
Trade and other payables	10	9	1,781
Other current liabilities	11	19	19
Borrowings-Short Term		-	41
		87	2,379

KwaZulu-Natal Taxi Council

Statement of Financial Performance

for the year ended 31 March 2008

		2008 R'000	2007 R'000
Continuing operations	Notes		
Grants and transfers	2	137	5,906
Other income	3	48	1
		<u>185</u>	<u>5,907</u>
Administrative expenses	4	(14)	(514)
Staff costs	5	(449)	(3,701)
Other operating expenses	6	(201)	(1,289)
Sponsorships and Donations		-	(78)
Audit fees		-	(44)
Marketing Costs		-	(103)
Penalties and Interest		-	(13)
		<u>(664)</u>	<u>(5,742)</u>
(Deficit) / Surplus from operations		(479)	165
(Deficit) / Surplus for the year		<u>(479)</u>	<u>165</u>

KwaZulu-Natal Taxi Council

Statement of Changes in Net Assets

for the year ended 31 March 2008

	Accumulated profit	Total
	R'000	R'000
Balance at 1 April 2006	373	373
Surplus for the year	165	165
Balance at 1 April 2007	538	538
(Deficit) for the year	(479)	(479)
Balance at 31 March 2008	59	59

KwaZulu-Natal Taxi Council

Statement of Cash Flows

for the year ended 31 March 2008

	Notes	2008 R'000	2007 R'000
Operating activities			
Cash (utilised in) / generated from operations	12	(2,202)	2,006
Net cash used in investing activities	13	-	(48)
Net cash flow used in financing activities	14	(41)	-
Net (decrease) / increase in cash and cash equivalents		(2,243)	1,958
Cash and cash equivalents at the beginning of the year	9	2,243	285
Cash and cash equivalents at the end of the year	9	-	2,243

KwaZulu-Natal Taxi Council

Notes to the Annual Financial Statements for the year ended 31 March 2008

1. Accounting Policies

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

The following are the principle accounting policies of the entity which are, in all material respects, consistent with those applied in the previous year.

1.1 Basis of preparation

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period except in the case where omission and / or errors were detected and rectified financial statements have been prepared on the accrual basis.

1.2 Revenue

Revenue comprises government grants received from the Department of Transport and is recorded at the date of the transaction.

1.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method. The expected useful lives are as follows:

Computer equipment	3 years
Furniture and fittings	6 years
Office equipment	5 years

1.4 Financial Instruments

Recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position sheet when the entity becomes a party to the contractual provisions of the instrument.

Measurement

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

Financial liabilities

The entity's principle financial liability comprises accounts payable.

Trade payables

Trade and other payables are stated at their nominal value.

KwaZulu-Natal Taxi Council

Notes to the Annual Financial Statements for the year ended 31 March 2008

1.5 Government grants

Government grants are recognised when it is probable that future economic benefits will flow to the public entity and these benefits can be measured reliably. The grant is recognised to the extent that there are no further obligations arising from the receipt of the grant.

1.6 Comparative figures

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

1.7 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term, highly liquid investments that are held with registered banking institutions that are subject to insignificant interest rate risk.

1.8 Provisions

Provisions are recognised when the Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

KwaZulu-Natal Taxi Council

Notes to the Annual Financial Statements

for the year ended 31 March 2008

	2008 R'000	2007 R'000
2. Grants and transfers		
Provincial departments	137	5,906
	<u>137</u>	<u>5,906</u>
3. Other income		
Other income received	47	-
Interest received	1	1
	<u>48</u>	<u>1</u>
4. Administrative expenses		
Accounting fees	-	287
Computer expenses	-	3
Management council members	-	51
Audit Committee	-	7
Internal audit fees	-	122
Entertainment	2	4
Stationary and Printing	-	16
Venues and Facilities	9	16
Bank Charges	3	8
	<u>14</u>	<u>514</u>
5. Staff costs		
Basic salaries	449	975
Executive directors emoluments	-	2,726
Leave pay provision	-	-
UIF	-	-
	<u>449</u>	<u>3,701</u>

KwaZulu-Natal Taxi Council

Notes to the Annual Financial Statements

for the year ended 31 March 2008

	2008 R'000	2007 R'000
6. Other operating expenses		
Advertising and promotions	-	6
Amortisations	1	2
Catering costs	4	61
Cleaning	1	1
Communication costs	53	85
Consultants, contractors and special services	25	606
Depreciation		
- computer equipment	-	43
- office furniture and fittings	19	19
- office equipment	29	25
Electricity and water	-	24
General expenses	67	14
Maintenance repairs and running costs	2	10
Rentals	-	201
Subscriptions	-	22
Travel and accommodation	-	170
	<u>201</u>	<u>1,289</u>

7. Property, plant and equipment

	Computer equipment R'000	Office furniture and fittings R'000	Office equipment R'000	Total R'000
Year ended 31 March 2008				
Opening net carrying amount	-	50	85	135
Gross carrying amount	43	69	110	222
Accumulated depreciation	(43)	(19)	(25)	(87)
Depreciation charge	-	(19)	(29)	(48)
Net carrying amount at 31 March 2008	-	31	56	87

KwaZulu-Natal Taxi Council

Notes to the Annual Financial Statements

for the year ended 31 March 2008

	Computer equipment R'000	Office furniture and fittings R'000	Office equipment R'000	Total R'000
Year ended 31 March 2007				
Opening net carrying amount	43	69	62	174
Gross carrying amount	88	88	79	255
Accumulated depreciation	(45)	(19)	(17)	(81)
Additions	-	-	48	48
Depreciation charge	(43)	(19)	(25)	(87)
Net carrying amount at 31 March 2007	-	50	85	135

8. Intangible assets

	Computer Software R'000	Total R'000
Year ended 31 March 2008		
Opening net carrying amount	1	1
Gross carrying amount	3	3
Accumulated amortization	(2)	(2)
Amortisation	(1)	(1)
Net carrying amount at 31 March 2008	-	-

Year ended 31 March 2007

Opening net carrying amount	3	3
Gross carrying amount	5	5
Accumulated amortization	(2)	(2)
Amortisation	(2)	(2)
Net carrying amount at 31 March 2007	1	1

KwaZulu-Natal Taxi Council

Notes to the Annual Financial Statements

for the year ended 31 March 2008

	2008 R'000	2007 R'000
9. Cash and cash equivalents		
Cash and cash equivalents comprise cash and short-term, highly liquid investments that are held with registered banking institutions that are subject to insignificant interest rate risk. The carrying amount of these assets approximates to their fair value.		
Cash at bank	-	2,243
	<u>-</u>	<u>2,243</u>
As required in section 7(2) and 7(3) of the Public Finance Management Act, the National Treasury has approved the local bank where the bank account is held.		
10. Trade and other payables		
Trade creditors	9	1,781
	<u>9</u>	<u>1,781</u>
11. Other current liabilities		
Leave pay provision	19	19
	<u>19</u>	<u>19</u>
12. Reconciliation of surplus/(deficit) to cash generated from/(utilised in) operations		
(Deficit) / Surplus	(479)	161
Adjusted for:		
Depreciation	48	87
Amortisation	1	2
Investment income	(1)	(1)
Operating cash flows before working capital changes	<u>(431)</u>	<u>249</u>
Working capital changes		
(Decrease) / Increase in payables	(1,771)	1,757
Cash generated from operations	<u>(2,202)</u>	<u>2,006</u>

KwaZulu-Natal Taxi Council

Notes to the Annual Financial Statements

for the year ended 31 March 2008

	2008 R'000	2007 R'000
13. Net cash from/(used in) investing activities		
Acquisition of property, plant and equipment	-	(48)
Cash used in investing activities	<u>-</u>	<u>(48)</u>
14. Net cash used in financing activities		
Repayment of borrowings	(41)	-
Cash used in financing activities	<u>(41)</u>	<u>-</u>

