

# Department of Transport and Public Works

**ANNUAL REPORT 2006 / 2007**



**GOVERNMENT MOTOR TRANSPORT**



## CONTACT/ABBREVIATIONS ●

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### **Explanatory notes with regard to abbreviations**

ABET	Adult Basic Education and Training
AFS	Annual Financial Statements
BBBEE	Broad Based Black Economic Empowerment
CCGMT	Co-ordinating Committee for Government Motor Transport
CFO	Chief Financial Officer
Clipper	Computer programme language
COTO	Committee of Transport Officials
DPSA	Department of Public Service and Administration
CR	Creditor
DR	Debtor
EAP	Employees Assistance Programme
eFuel	Electronic Fuel Purchasing System
EMS	Emergency Medical Service
FAR	Fixed Asset Register
FleetMan	Fleet Management System
FMS	Financial Management System
GAAP	Generally Accepted Accounting Practice
Gb	Giga byte
GMT	Government Motor Transport
HIV/Aids	Human immunodeficiency virus/acquired immune-deficiency syndrome
IDP	Individual Development Plan
i-FleetMan	Fleet Management System (web enabled)
IMLC	Institutional Management Labour Committee
LERWUA	Lower Elephants River Water Users Association
LOGIS	Logistical Information System
MIB	Management Information Bureau
Mil	Million
MSP	Master Systems Plan
Oracle	Computer programme language
PGWC	Provincial Government Western Cape
PFMA	Public Finance Management Act, 1999 (Act 1 of 1999 as amended)
PPE	Property, Plant and Equipment
SCOPA	Standing Committee on Public Accounts
S & T	Subsistence and Travel
SDIP	Service Delivery Improvement Plan
VCT	Voluntary Counselling and Testing

## ● CONTACT/ABBREVIATIONS

### GENERAL NOTE

Annual reports are produced after the end of the financial year. This is aimed at strengthening the accountability of departments to key stakeholders. The tables in this report are revised on a regular basis by the Department of Public Service and Administration (DPSA). If you wish to see additional information included in this report, please send suggestions (with a clear motivation) to:

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For a detailed description and explanation of the terminology used in this report, please consult the publication from the DPSA entitled 'A guide to understanding the oversight report of departmental annual reports'. A copy of the guide is available from all departments or can be accessed from the DPSA website ([www.dpsa.gov.za](http://www.dpsa.gov.za)).

### APOLOGY

We fully acknowledge the Province's language policy and endeavour to implement it. Although, it has been our experience that only the English version of the document is in demand. The document will be available in the other two official languages of the Western Cape as soon as possible.

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## PART 1: ORGANISATIONAL STRUCTURE ●



## ● PART 2: GENERAL INFORMATION

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

The Annual Report for the period 1 April 2006 to 31 March 2007 is herewith submitted to the member of the Executive Council responsible for Transport and Public Works in terms of the Public Finance Management Act, 1999 (Act 1 of 1999).

### 2.2 LEGISLATIVE PRESCRIPTS

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

- Adult Basic Education and Training Act, 2000 (Act 52 of 2000)
- Basic Conditions of Employment Act, 1997 (Act 75 of 1997)
- Code of Conduct
- Collective Agreements
- Debt Collectors Act, 1998 (Act 114 of 1998)
- Employment Equity Act, 1998 (Act 55 of 1998)
- Employment of Education and Training Act, 1998 (Act 76 of 1998)
- Further Education and Training Act, 1998 (Act 98 of 1998)
- General and Further Education and Training Quality Assurance Act, 2001 (Act 58 of 2001)
- Institution of legal proceedings against certain Organs of the State, 2002 (Act 40 of 2002)
- Labour Relations Act, 1995 (Act 66 of 1995)
- National Archives Act, 1996 (Act 43 of 1996)
- National Education Policy Act, 1996 (Act 27 of 1996)
- Occupational Health and Safety Act, 1993 (Act 85 of 1993)
- Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)
- Promotion of Administrative Justice Act, 2000 (Act 3 of 2000)
- Promotion of Access to Information Act, 2000 (Act 2 of 2000)
- Public Finance Management Act, 1999 (Act 1 of 1999 as amended by Act 29 of 1999), Treasury Regulations and Provincial Treasury Instructions
- Public Service Act, 1994 (Act 103 of 1994) and Regulations, 2001
- Public Service Staff Code
- Skills Development Act, 1998 (Act 97 of 1998)
- Skills Development Levies Act, 1999 (Act 9 of 1999)
- South African Qualifications Act, 1995 (Act 58 of 1995)
- South African Qualifications Regulations
- The Constitution of the Western Cape, 1998 (Act 20 of 1998)
- The Constitution, 1996 (Act 103 of 1996)
- Western Cape Road Traffic Act, 1998 (Act 12 of 1998)

### 2.3 HISTORIC PERSPECTIVE

Government Motor Transport (GMT) forms part of the Department of Transport and Public Works and operates as a separate Trading Entity.

The trading activities of GMT focus mainly on the provision of vehicles to national and provincial departments and institutions used for transportation in order that each client may carry out its services efficiently and effectively. The fleet of vehicles are allocated to the clients for a period equal to the economical life cycle of each class/type of vehicle. The fleet comprises of the following types of vehicles and their utilisation:

- Sedans – staff carriers
- Light delivery vehicles – transport of goods
- 2X4/4X4's/trucks – field and rough terrain work
- Busses – large volumes of staff
- VIP sedans – VIP's and important guests
- Micro busses – staff and patient carriers
- Ambulances – patient transporters
- Response, reaction and recovery vehicles – emergency/medical staff
- Patrol vehicles – traffic force
- Mortuary vans – pathology services
- Trailers – goods

A part of the fleet is available on a relief and temporary basis from a general pool. In return GMT charges a daily and a kilometre tariff (usage charges) on the vehicles to cover the replacement, running and overhead costs. Transfer of voted funds occurs rarely and only in special circumstances, e.g. additional vehicles. The fleet is not conventionally insured with a private insurance company, as the government carries its own risks. At the end of the economical life cycle of a vehicle, it is withdrawn from service and replaced with a new one. The old vehicles are sold at public auctions.

### 2.4 VISION/MISSION

The Vision is set as the best Government motor transport service. The following Mission supports the vision:

To strive to become the leader in Government Motor Transport Services by providing quality, integrated and cost effective motor transport to provincial and national departments inclusive of a pleasant, safe and interactive environment where staff are offered the opportunity of development and self-improvement.

### 2.5 STRATEGIC GOALS

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

#### ***Keeping fleet within its life expectancy***

The fleet replacement process was maintained during the past year. Vehicles not within the economic life cycle are marginal.

## PART 2: GENERAL INFORMATION

The assistance of a further two technical assistants has been obtained on contract to perform additional inspections on merchants and the maintenance and repair work done on vehicles. Pre-and post-inspections on mechanical and accident repairs were undertaken to ensure value for money. The facilities of the merchants are subject to regular inspections by the technical staff of GMT and the external vendor WesBank Auto responsible for the facilitation of fleet maintenance management. Furthermore, GMT's own technical staff, with the assistance of the departmental transport officers, performed regular vehicle checks to ensure that the fleet is maintained and kept in a roadworthy condition.

### **Improving vehicle management and control**

The fitment of the vehicle tracking units continued and a further 2 005 units were fitted since the beginning of the financial year. The following Table depicts the fitment statistics at year-end:

<b>Category</b>	<b>Quantity</b>
EMS and Traffic vehicles	616
Non-emergency vehicles	2 978
<b>Total</b>	<b>3 594</b>

The request to speed-up fitment by the client departments was entertained to be able to obtain better operational tools to effectively manage vehicle utilisation. Tracking management reports were issued by the GMT Management Information Bureau (MIB). The latter also continued with the logging of all misuse complaints and spearheading the recovery of vehicles after thefts and hijacking incidents. It is intended to commence (2007/08 financial year) with the compilation of management reports on a pro-active basis identifying, *inter alia*, irregular driver behaviour, e.g. over speeding, harsh breaking and over revving as well as trips undertaken during week-ends and after normal office hours, to enable client departments to institute remedial action.

The implementation of the eBilling module in FleetMan with effect from 1 April 2006 whereby odometer readings are utilised for the creation of electronic logs streamlined the account procedures, prevented the audit enquiries experienced during previous years.

Tenders for vehicle fleet maintenance management and associated fuel acquisition and control were awarded by GMT during March 2007 thus replacing the national transversal contract in place for the last thirteen years. As part of the new contracts that make provision for the specific requirements of the Western Cape, fuelling real-time transactional data will be fed to FleetMan as they

occur on the forecourts of the filling stations. This data needs to be allocated towards each vehicle (cost centre principle) and further incorporated for internal management and control purposes. This will replace the pure vehicle statistics with regard to fuel consumption per make/model.

### **Full recovery of all outstanding debt**

A strong emphasis was again placed on the follow-up of debtors accounts (client departments) with a focus on those older than one year. The following Table depicts the position at year-end of debt not as yet settled in terms of the prescripts of the PFMA: (see Table 2.2 on page 8)

The long outstanding debt of the Eastern Cape Provincial Government and Water Affairs and Forestry amounting to R8,456,918.39 has been recovered.

The current debt collection process has been streamlined for the major provincial clients, whereby a single account is delivered to the head office of the clients. The latter then arranged with its institutions to settle the debt within 30 days as prescribed. The process will be enhanced further through similar arrangements with all clients and by delivering the account via electronic means during the 2007/2008 financial year.

### **Development and implementation of effective business processes**

GMT continued with revisiting its current business processes during the year and made changes to ensure the continuation of effective service delivery standards. The Business Analyst that was contracted to draft all business processes has not finalised the project. It is planned to finalise this project during the next financial year.

The planned service level agreements have been finalised through consultation with the client departments and will be concluded during the next financial year.

All operational procedures and policy changes were issued as circulars in an electronic format and published on the PGWC's Intranet.

### **Improvement and enhancement of electronic systems**

The general functionality of the Fleet Management system (FleetMan) was further enhanced as planned, to be in line with the current business processes.

The newly designed risk management module within FleetMan was tested and successfully implemented. The latter now enables GMT to compile risk profiles for use by the client departments.



**PART 2: GENERAL INFORMATION**

**TABLE 2.2: Debtors not settled at year-end**

<b>Client Departments Provincial, Western Cape</b>	
Agriculture	10,393.12
Cape Nature	4,092,274.63
Community Safety	1,328,817.79
Cultural Affairs and Sport	1,254,309.46
Economic Development and Tourism	10,377.57
Education	1,464,082.67
Environmental Affairs and Development Planning	5,854.45
Health	3,381,441.19
Local Government and Housing	62,667.25
Premier	191,027.95
Social Development	1,593,937.84
Treasury	42,708.93
<b>Subtotal</b>	<b>R 13,437,892.85</b>
<b>Client Departments Provincial, other:</b>	
Free State	2,438.14
Gauteng	13,658.07
Limpopo	3,463.54
North West	11,091.40
Northern Cape	32,513.36
<b>Subtotal</b>	<b>R 63,164.51</b>
<b>Client Departments National:</b>	
Agriculture	6,872.18
Correctional Services	230,766.43
Education	2,874.14
Environmental Affairs and Tourism	5,958,889.39
Finance	80,574.86
Foreign Affairs	15,357.23
Government Communication Information Service	73,701.63
Home Affairs	312,233.76
Independent Complaints Directorate	41,129.48
Justice and Constitutional Development	4,427,250.05
Labour	115,512.57
Land Affairs	194,430.12
Mineral and Energy Affairs	73,828.13
National Intelligence Services	6,925.83
National Prosecuting Authority	2,054,257.34
National Treasury	9,607.68
Office of the Presidency	1,225,944.09
Parliament	27,509.11
Provincial and Local Government	12,487.79
Public Service Commission	13,264.14
Public Works	333,044.57
Social Development	163,512.37
Water Affairs and Forestry	321,759.86
South African Central Statistical Services	561,521.70
South African National Defence Force	208,407.14
South African Police Services	20,708.49
<b>Subtotal</b>	<b>R 16,492,370.08</b>
<b>Total Outstanding Debt</b>	<b>R 29,993,427.44</b>

## PART 2: GENERAL INFORMATION

The eBilling module was also implemented wef 1 April 2006 to replace the outdated method of utilising log sheet data with electronic odometer readings via the tracking system. The billing process is now up to date and accounts are issued to the client departments within the first 14 days of every month.

### ***Improve quality of service to client departments***

Client department forums (operational and financial) met on a monthly basis as planned to manage operational and financial issues. The yearly client survey that was conducted measured the various service delivery measures and the outcome of the survey indicated a satisfactory level of client satisfaction. The survey will be repeated in the next financial year.

Vehicle requirements that could not be supplied via the permanently allocated departmental and general hire fleets were addressed via private hiring contracts.

### ***Empowerment of clients to manage their vehicles effectively***

GMT conducted operational training sessions to empower the departmental transport officers in the use of FleetMan and fleet management procedures.

The MIB addressed the requirements of the clients via the publication of management reports.

## **2.6 INTRODUCTION**

GMT participated in the national Coordinating Committee for Government Motor Transport (CCGMT) as the responsible sub-committee of the governmental COTO structure, together with the national Department of Transport, other Provinces, the South African Police Service and the South African National Defence Force. CCGMT is in the process to formulate a national strategy for the management of government fleet services. The proposed strategy requires further work.

The Western Cape's fleet management system, FleetMan was demonstrated to the Government of Namibia after a formal request was received via the Governmental protocols. Keen interest has been expressed and the formal agreement on the way forward has been drafted. The latter will be submitted to the Provincial Cabinet for approval.

FleetMan was also demonstrated to the Provinces of North West and Kwazulu-Natal. The implementation of the system will be furthered in the next financial year.

The sharing of FleetMan as a web-enabled system with other Provincial/National Departments is subject to the availability of an effective ICT infrastructure. This matter is under investigation and should be finalised towards the end of 2007. However, successful implementation needs to be planned with care and consultation with the users. The eBilling functionality and risk management module implemented during the 2006/07 financial year has added further value to the system.

Contracted assistance had to be used to convert the Annual Financial Statements derived from the cash based Basic Accounting System (BAS) in accordance with Statements of Generally Accepted Accounting Practice (GAAP). The requirements of an accounting system that meets the requirements of GAAP have been compiled and a request to acquire such a system has been processed. This will prevent any conversion of Statements in the future.

The vehicle tracking and control project was rolled-out further. The fitment of the full fleet should be finalised by middle 2007. The outcomes of the project were utilised to create a better platform to manage the fleet more effectively.

## **2.7 CHALLENGES AHEAD**

GMT identified the following challenges:

- Addressing the present day requirements of its client departments.
- Delivering a cost effective and competitive service.
- Improving service standards and efficiency levels.
- Continuing with research and development into the latest technology, systems, products and global best practices.
- Exploring alternative models of fleet financing, e.g. full maintenance leases.
- Recovering debt within the time frames as prescribed by the PFMA.
- Increasing the BBBEE business share wrt distribution of maintenance/repair/conversion work activities.

## PART 3: PROGRAMME PERFORMANCE

### 3.1 INTRODUCTION

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

### 3.2 SERVICE DELIVERY

Key measurable objectives were developed per focal area/strategic goal within GMT and incorporated into the Strategic Plan. The following Table depicts the aforementioned information and achievements realised:

<b>TABLE 3.1: Strategic Goals, Measurable Objectives and Achievements</b>				
<b>Measurable Objectives</b>	<b>Performance Measure / Indicator</b>	<b>Achievements</b>		
		<b>Target 2006/07</b>	<b>Actual 2006/07</b>	<b>Deviation %</b>
<b>Strategic Goal 1</b>				
	Keep fleet within its life expectancy			
Replacement of vehicles	% of fleet within norms	92	90	-2
Service and maintenance of vehicles	Vehicle not serviced and maintained	0	0	0
Technical inspections	% vehicles inspected	95	95	0
Identify under utilisation of vehicles	Monthly publication of results	12	12	0
Maintain the vehicle asset register	% compliance	100	100	0
<b>Strategic Goal 2</b>				
Improving vehicle management and control				
Training of transport officials (operational)	Sessions completed	5	5	0
Training of transport officials (FleetMan)	Sessions completed	25	25	0
Implementation of vehicle tracking and control	Vehicles completed	3 488	3 594	+3
Implementation of vehicle tracking and control (new vehicles)	% Vehicles completed	100	100	0
Maintaining of vehicle tracking and control system	% Vehicles completed	100	100	0
Equitable distribution of maintenance/repair/conversion work activities to merchants.	% Value of monthly expenditure	25	23	-8
Misuse complaints logged and followed up	Number of cases reported	*0	851	0
Manage traffic violations	Number of violations received	*0	6 424	0
Logging of incidents at MIB (all types)	Number of cases reported	*0	1 013	0
Implement risk management module in FleetMan	% compliance	100	100	0
<b>Strategic Goal 3</b>				
Full recovery of all outstanding debt				
Decrease amount of old outstanding debt	Outstanding in Rand value	R14 mil	R5 mil	-64
Utilisation of electronic odo metre readings for billing purposes	% compliance	100	100	0
<b>Strategic Goal 4</b>				
Development & implementation of effective business processes				
Drafting of business processes	% compliance	75	75	0
Maintaining/upkeep of business processes	% compliance	80	80	0
Evaluation of business processes	% compliance	100	100	0
<b>Strategic Goal 5</b>				
Improvement and enhancement of electronic systems				
Updating of server and desktop hardware	% compliance	80	80	0
Design and development of GMT web site	% completed	50	50	0
Full deployment of the MIB	% completed	25	25	0
Maintain a web-enabled FleetMan	% availability	100	100	0
<b>Strategic Goal 6</b>				
Improvement of quality of service to clients				
Maintain regular operational and financial client forums	Monthly meetings	12	9	-25
Conduct client surveys	Yearly survey	1	1	0
Provision of additional vehicles (over above normal replacements)	% availability	100	100	0
Provision of general hire vehicles and privately hired vehicles	% availability	100	100	0
Maintain technical helpdesk	% compliance	100	100	0
<b>Strategic Goal 7</b>				
Empowerment of clients to manage vehicles effectively				
Compile and publish operational management information	Monthly publication	12	12	0
Compile and publish risk analyses profiles	Monthly publication	12	0	-100
Maintain a full time misuse report line	% availability	100	100	0
Elevate FleetMan to a web-enabled system	% compliance	100	100	0
Establish a MIB	% compliance	100	100	0
Publish policy and guideline documents electronically	% compliance	100	100	0

\*Numbers not known at the beginning of the target year. All cases received were dealt with.

**PART 3: PROGRAMME PERFORMANCE**

**3.3 CONSULTATION ARRANGEMENTS WITH CLIENTS AND STAFF**

**TABLE 3.2: Consultation Arrangements with Clients and Staff**

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

## PART 4: HUMAN RESOURCES MANAGEMENT (OVERSIGHT REPORT)

### 4.1 GENERAL

The figures included in this portion of the annual report differs from those as reflected in the AFS as these figures were extracted from the Persal reports (which are from a cash based system) whilst the figures in the AFS have been converted to Generally Accepted Accounting Practice (GAAP). The statistics and information published in this Part are required in terms of Chapter 1, Part III J.3 of the Public Service Regulations, 2002 and have been prescribed by the Minister for the Public Service and Administration for all departments within the Public Service. The statistical tables provide high-level information on key human resource issues. The information aims to empower legislatures, the media,

public and other key stakeholders to monitor whether departments are –

- exercising the powers granted under Public Service and Public Finance legislation in a responsible manner, and
- achieving national transformation priorities established by the Cabinet, for example, affirmative action.

### 4.2 EXPENDITURE

The following tables summarise final audited expenditure (TABLE 4.1) and by salary bands (TABLE 4.2). In particular, it provides an indication of the amount spent on personnel costs or salary bands within GMT.

TABLE 4.1: Personnel cost

Entity	Total Expenditure (R'000)	Compensation of Employees (R'000)	Training Expenditure (R'000)	Employee compensation as a percent of total expenditure	Average compensation cost per employee (R'000)
GMT	148 885	11 442	0	7.7	114

**Note:** The budget for the Workplace Skills Plan is allocated within Programme 1 of the Department, from where the majority of the training interventions are funded.

TABLE 4.2: Personnel costs by salary bands

Salary bands	Compensation of Employees (R'000)	% of total employee compensation cost	Average compensation cost per employee (R'000)
Lower skilled (Levels 1-2)	753	6	50
Skilled (Levels 3-6)	5 045	44	89
Highly skilled production (Levels 7-9)	3 957	35	165
Highly skilled supervision (Levels 10-12)	1 168	10	389
Senior management (Level 13)	519	5	519
Total	11 442	100	1 212

The following table provides a summary by salary bands (TABLE 4.3), of expenditure incurred as a result of salaries, overtime, homeowners allowance and medical assistance. In each case, the table provides an indication of the percentage of the personnel budget that was used for these items.

**PART 4: HUMAN RESOURCES MANAGEMENT**  
**(OVERSIGHT REPORT)**

**TABLE 4.3: Salaries, Overtime, Home Owners Allowance and Medical Assistance by salary bands**

Salary Bands	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical Assistance as a % of personnel cost
Lower skilled (Levels 1-2)	560	6.6	16	0.1	42	0.4	47	0.5
Skilled (Levels 3-6)	3 712	29.5	36	0.6	51	1.1	426	3.1
Highly skilled production (Levels 7-9)	2 893	24.1	7	0.4	88	0.890	250	2.3
Highly skilled supervision (Levels 10-12)	634	7.8	38	0.3	0	0	59	0.5
Senior management (Level 13)	307	2.6	0	0	0	0	23	0.2
<b>Total</b>	<b>8 106</b>	<b>71</b>	<b>69</b>	<b>0.6</b>	<b>253</b>	<b>2.2</b>	<b>761</b>	<b>6.6</b>

**4.3 EMPLOYMENT AND VACANCIES**

The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment. This information is presented in terms of three key variables:– programme (TABLE 4.4), salary band (TABLE 4.5) and critical occupations (TABLE 4.6). The Entity has no critical occupations that need to be monitored. TABLE 4.7 provides establishment and vacancy information for the key critical occupations of the Entity.

The vacancy rate reflects the percentage of posts that are not filled.

**4.4 JOB EVALUATION**

The Public Service Regulations, 1999 introduced job evaluation as a way of ensuring that work of equal value is remunerated equally. Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in his or her organisation. In terms of the Regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled.

No jobs were evaluated during the year under review.

**TABLE 4.4: Employment and vacancies by salary bands as at 31 March 2007**

Salary band	Number of posts	Number of posts filled	Vacancy Rate (%)	Number of posts filled additional to the establishment
Lower skilled (Levels 1-2)	19	15	21	0
Skilled (Levels 3-6)	62	57	8	0
Highly skilled production (Levels 7-9)	25	24	4	0
Highly skilled supervision (Levels 10-11)	4	3	25	0
Senior management (Level 13)	1	1	0	0
<b>Total</b>	<b>111</b>	<b>100</b>	<b>9</b>	<b>0</b>

## PART 4: HUMAN RESOURCES MANAGEMENT (OVERSIGHT REPORT)

### 4.5 EMPLOYMENT CHANGES

This section provides information on changes in employment over the financial year.

Turnover rates provide an indication of trends in the employment profile of the Entity. The following table provides a summary of turnover rates by salary band (TABLE 4.5).

### 4.6 EMPLOYMENT EQUITY

The tables in this section are based on the formats prescribed by the Employment Equity Act, 55 of 1998.

**TABLE 4.5: Annual turnover rates by salary bands**

Salary Band	Number of employees per band as at 31 March 2007	Appointments and transfers into GMT	Terminations and transfers out of GMT	Turnover rate (%)
Lower skilled (Levels 1-2)	15	0	0	0
Skilled (Levels 3-6)	56	8	3	20
Highly skilled production (Levels 7-9)	24	3	3	25
Highly skilled supervision (Levels 10-11)	4	0	1	25
Senior management (Level 13)	1	0	0	0
<b>Total</b>	<b>100</b>	<b>11</b>	<b>7</b>	<b>18</b>

**TABLE 4.6: Reasons why staff are leaving the Entity**

Termination Type	Number	% of total
Resignation	2	2
Dismissal – misconduct	0	0
Discharged due to ill-health	0	0
Retirement	1	1
Transfers to other Public Service Departments	1	1
<b>Total</b>	<b>4</b>	<b>4</b>
Total number of employees who left as a % of the total employment	–	4

## PART 4: HUMAN RESOURCES MANAGEMENT (OVERSIGHT REPORT)

**TABLE 4.7: Promotions by salary bands**

Salary Bands	Employees as at 31 March 2007	Promotions to another salary level	Salary bands promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progressions as a % of employees by salary band
Lower skilled (Levels 1-2)	15	0	0	10	67
Skilled (Levels 3-6)	56	1	1.8	28	50
Highly skilled production (Levels 7-9)	24	2	8.3	19	79
Highly skilled supervision (Levels 10-11)	4	0	0	3	75
Senior Management (Level 13)	1	0	0	1	100
<b>Total</b>	<b>100</b>	<b>3</b>	<b>10.1</b>	<b>61</b>	<b>61</b>

**TABLE 4.8: Total number of employees (including employees with disabilities) per occupational categories as at 31 March 2007**

Occupational Categories	Male				Female				Total
	African	Col	Indian	White	African	Col	Indian	White	
Senior officials	0	0	0	1	0	0	0	0	1
Professionals and managers	0	3	0	11	0	1	0	3	18
Technicians and associate professionals	0	0	0	9	0	0	0	0	9
Clerks & Administrative office workers	3	11	0	9	2	24	0	5	54
Elementary occupations	2	11	0	1	0	1	0	0	15
<b>Total</b>	<b>5</b>	<b>25</b>	<b>0</b>	<b>31</b>	<b>2</b>	<b>26</b>	<b>0</b>	<b>8</b>	<b>97</b>
Employees with disabilities	0	1	0	2	0	0	0	0	3



**PART 4: HUMAN RESOURCES MANAGEMENT  
(OVERSIGHT REPORT)**

**TABLE 4.9: Total number of employees (including employees with disabilities) per occupational bands as at 31 March 2007**

Occupational Bands	Male				Female				Total
	African	Col	Indian	White	African	Col	Indian	White	
Top Management (Levels 15 & 16)	0	0	0	0	0	0	0	0	0
Senior Management (Levels 13 & 14)	0	0	0	1	0	0	0	0	1
Professionally qualified and experienced specialists and mid-management	0	1	0	1	0	0	0	1	3
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	2	0	19	0	1	0	2	24
Semi-skilled and discretionary decision making	3	11	0	11	2	24	0	6	57
Unskilled and defined decision making	2	11	0	1	0	1	0	0	15
<b>Total</b>	<b>5</b>	<b>25</b>	<b>0</b>	<b>33</b>	<b>2</b>	<b>26</b>	<b>0</b>	<b>9</b>	<b>100</b>

**TABLE 4.10: Recruitment**

Occupational Bands	Male				Female				Total
	African	Col	Indian	White	African	Col	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0
Highly skilled supervision (Levels 9-10)	0	0	0	0	0	0	0	0	0
Highly skilled production (Levels 7-9)	0	0	0	2	0	0	0	0	2
Skilled (Levels 3-6)	2	0	0	0	1	5	0	0	8
Lower skilled (Levels 1-2)	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>10</b>
Employees with disabilities	0	0	0	0	0	0	0	0	0

## PART 4: HUMAN RESOURCES MANAGEMENT (OVERSIGHT REPORT)

**TABLE 4.11: Terminations**

Occupational Bands	Male				Female				Total
	African	Col	Indian	White	African	Col	Indian	White	
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	0	0	1	0	0	0	0	1
Semi-skilled and discretionary decision making	0	0	0	0	0	2	0	1	3
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>4</b>

Employees with disabilities	0	0	0	0	0	0	0	0	0
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**TABLE 4.12: Disciplinary action**

Disciplinary action	Male				Female				Total
	African	Col	Indian	White	African	Col	Indian	White	
	0	0	0	0	0	0	0	0	0

**TABLE 4.13: Skills development**

Occupational categories	Male				Female				Total
	African	Col	Indian	White	African	Col	Indian	White	
Senior officials and managers	0	1	0	1	0	0	0	2	4
Technicians and associate professionals	0	0	0	0	0	0	0	0	0
Clerks	3	2	0	1	1	14	0	1	22
<b>Total</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>14</b>	<b>0</b>	<b>3</b>	<b>26</b>

Employees with disabilities	0	0	0	0	0	0	0	0	0
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### 4.7 PERFORMANCE REWARDS

To encourage good performance, the department has granted the following performance rewards during the year under review. The information is presented in terms

of race, gender, and disability (TABLE 4.14), salary bands (TABLE 4.15) and critical occupations (TABLE 4.16).

**PART 4: HUMAN RESOURCES MANAGEMENT  
(OVERSIGHT REPORT)**

**TABLE 4.14: Performance Rewards by race, gender and disability**

Race	Beneficiary Profile			Cost	
	Number of beneficiaries	Total number of employees in group as at 31 March 2007	% of total within group	Cost (R'000)	Average cost per employee (R)
<b>African</b>	<b>1</b>	<b>7</b>	<b>14</b>	<b>4</b>	<b>3 730</b>
Male	1	5	20	4	3 730
Female	0	2	0	0	0
<b>Indian</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Male	0	0	0	0	0
Female	0	0	0	0	0
<b>Coloured</b>	<b>13</b>	<b>50</b>	<b>26</b>	<b>56</b>	<b>4 336</b>
Male	3	25	12	13	4 203
Female	10	25	40	45	4 469
<b>White</b>	<b>12</b>	<b>39</b>	<b>31</b>	<b>129</b>	<b>10 782</b>
Male	6	30	20	69	11 550
Female	6	9	67	60	10 013
<b>Total</b>	<b>26</b>	<b>96</b>	<b>27</b>	<b>184</b>	<b>7 095</b>
Employees with a disability	1	3	33	6	5 670

**TABLE 4.15: Performance Rewards by salary bands for personnel below Senior Management Service**

Salary Bands	Beneficiary Profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee (R)	Total cost as a % of the total personnel expenditure
Lower skilled (Levels 1-2)	3	15	20	10	3 197	.08
Skilled (Levels 3-6)	15	57	26	74	4 907	.57
Highly skilled production (Levels 7-9)	7	24	29	63	9 060	.49
Highly skilled supervision (Levels 10-11)	2	3	67	47	23 400	.36
<b>Total</b>	<b>27</b>	<b>99</b>	<b>27</b>	<b>194</b>	<b>40 564</b>	<b>1.5</b>

**Note:** The Department of Public Service and Administration has set a maximum of 1,5% of total personnel budget to be allocated as performance rewards. Percentage above does not reflect percentage of budget, but percentage of cost that excludes budget of vacant posts.

## PART 4: HUMAN RESOURCES MANAGEMENT (OVERSIGHT REPORT)

**TABLE 4.16: Performance related rewards (cash bonus), by salary band, for Senior Management Service**

Salary Band	Beneficiary Profile			Total Cost (R'000)	Average cost per employee	Total cost as a % of the total SMS budget
	Number of beneficiaries	Number of employees	% of total within band			
Band A	1	1	100	15	15 092	3
Total	1	1	100	15	15 092	3

**Note:** The percentage of performance awards allocated to SMS in the entire Department did not exceed 1.5%.

### 4.8 LEAVE UTILISATION

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of

sick leave (TABLE 4.17) and disability leave (TABLE 4.18). In both cases, the estimated cost of the leave is also provided.

**TABLE 4.17: Sick leave**

Salary Band	Total days	% days with medical certification	Number of employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	77	61	13	87	6	14
Skilled (Levels 3-6)	429	65	48	84	9	132
Highly skilled production (Levels 7-9)	181	74	21	88	9	109
Highly skilled supervision (Levels 10-11)	8	88	2	67	4	7
Senior management (Level 13)	16	88	1	100	16	22
Total	711	68	85	85	180	284

**Note:** Estimated cost calculated against number of staff who took sick leave, not against total number of staff.

**PART 4: HUMAN RESOURCES MANAGEMENT  
(OVERSIGHT REPORT)**

**TABLE 4.18: Disability leave (temporary and permanent)**

Salary Band	Total days taken	% days with medical certification	Number of employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	7	100	3	20	2	1
Skilled (Levels 3-6)	85	100	7	12	12	26
Highly skilled production (Levels 7-9)	25	100	2	8	12	15
Highly skilled supervision (Levels 10-11)	0	0	0	0	0	0
Senior management (Level 13)	0	0	0	0	0	0
<b>Total</b>	<b>117</b>	<b>100</b>	<b>12</b>	<b>12</b>	<b>10</b>	<b>42</b>

**Note:** The average days disability leave per employee excludes the 36 days normal sick leave allocated per leave cycle.

TABLE 4.19 summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the PSCBC in 2000 requires management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

**TABLE 4.19: Annual Leave, 1 January 2006 to 31 December 2006**

Salary Bands	Total days taken	Average per employee
Lower skilled (Levels 1-2)	359	24
Skilled (Levels 3-6)	1 239	22
Highly skilled production (Levels 7-9)	574	26
Highly skilled supervision (Levels 10-11)	64	21
Senior management (Level 13)	26	26
<b>Total</b>	<b>2 262</b>	<b>22</b>

**TABLE 4.20: Capped leave, 1 January 2006 to 31 December 2006**

Salary Bands	Total days of capped leave taken	Average number of days taken per employee, using capped leave	Average capped leave per employee as at 31 December 2006
Lower skilled (Levels 1-2)	0	0	33
Skilled (Levels 3-6)	61	6	30
Highly skilled production (Levels 7-9)	22	5	53
Highly skilled supervision (Levels 10-11)	0	0	40
Senior management (Level 13)	0	0	100
<b>Total</b>	<b>83</b>	<b>11</b>	<b>37</b>

## PART 4: HUMAN RESOURCES MANAGEMENT (OVERSIGHT REPORT)

The following table summarises payments made to employees as a result of leave that was not taken.

<b>TABLE 4 21: Leave payouts</b>			
<b>Reason</b>	<b>Total Amount (R'000)</b>	<b>Number of Employees</b>	<b>Average payment per employee (R)</b>
Leave payout for 2006/07 due to non-utilisation of leave for the previous cycle	0	0	0
Capped leave payouts on termination of service for 2006/07 (Retire)	253	1	253 000
Current leave payout on termination of service for 2006/07	4	3	1
Current leave payout as recognition of long leave (20 +30 years)	19	3	6
<b>Total</b>	<b>276</b>	<b>7</b>	<b>260 000</b>

**Note:** Capped leave is only paid out in the case of medical or normal retirement.

### 4.9 HIV & AIDS, AND HEALTH PROMOTION PROGRAMMES

<b>TABLE 4.22: Steps taken to reduce the risk of occupational exposure</b>	
<b>Units/categories of employees identified to be at high risk of contracting HIV &amp; related diseases (if any)</b>	<b>Key steps taken to reduce the risk</b>
<p>Specific categories of staff were not identified. All staff are regarded to be at risk of contracting HIV and related diseases. Some of the work force in the outlying district offices may relatively be at a higher risk, because of the spread and nature of operations.</p>	<p>The HIV and AIDS Co-ordinator conducted six-monthly VCT campaigns to encourage staff to know their status. In addition there are monthly communiqués related to HIV and AIDS and sent out to all staff. The specific measures taken in this regard for general staff include:</p> <ul style="list-style-type: none"> <li>• First Aiders use gloves when treating injuries</li> <li>• Awareness raising at VCT campaigns</li> <li>• Serialised communication to all staff through the e-mail system</li> </ul> <p>Area managers are encouraged to raise the matter of HIV and Aids in general meetings.</p>

## PART 4: HUMAN RESOURCES MANAGEMENT (OVERSIGHT REPORT)

The details below reflect the position in the Department of which GMT forms an integral part.

**TABLE 4.23: Details of Health Promotion and HIV and AIDS Programmes**

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	X		Mr J A du Plessis: Senior Manager Human Resource Management
2. Does the Department have a dedicated unit or has it designated specific staff members to promote the health and well being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	X		The Department employs a full time HIV & AIDS Co-ordinator who chairs a monthly Focal Unit Meeting.  The committee comprises of 15 members who represent all sectors of the Department (inclusive of GMT), as well as trade unions.  HIV & AIDS are incorporated within the Special Programmes unit which has a total budget for 3 sub components. The budget for HIV & AIDS for the year under review was set at approximately R427 333.00.
3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this Programme.	X		An Employee Assistance Programme (EAP) was launched in July 2006. A competent and professional external service provider has been contracted to render related EAP services to staff and immediate family members, and any others living in the same house/household.  The Department has employed a full-time EAP Co-ordinator who is attached to the Special Programmes unit, together with the HIV and AIDS Co-ordinator.
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	X		JS van Stade: Chairperson W Canterbury : Financial Management J van Eeden : Roads Infrastructure C Osman : Public Transport L Thomas : Public Works D Muller : Ceres District Office M Frieslaar : Ceres District Office D Lippert : Oudtshoorn Office S Claassen : Oudtshoorn Office L Rhode : George Office M Jansen : George Office L Nicholson : Goulburn Centre S Morse : Bellville Workshop G Anderson : GMT  Union representatives are: R Fortuin : Nehawu C Petersen : PSA W Taylor : PSA
5. Has the department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	X		There exists no HIV and AIDS discrimination during the recruitment process and after placement.

**PART 4: HUMAN RESOURCES MANAGEMENT**  
**(OVERSIGHT REPORT)**

Question	Yes	No	Details, if yes
<p>6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.</p>	X		<p>Fourteen staff members have tested positive, but none has disclosed their positive status as yet.</p> <p>Voluntary disclosure is awaited to allow for the introduction of treatment, care and support intentions in practice. In the meantime, the work environment is being 'sculptured' to facilitate voluntary disclosure.</p> <p>The Departmental HIV &amp; AIDS Policy and Workplace Programmes specifically address this matter.</p> <p>Issues pertaining to discrimination and stigmatisation are discussed at monthly meetings, VCT sessions and at celebratory events.</p> <p>EAP is a further instrument which is immediately available to assist HIV positive staff.</p>
<p>7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved.</p>	X		<p>Yes, on a regular basis and also at every possible opportunity. In total 641 staff members (43% of complement) have been tested by department initiatives. 14 staff members have tested positive.</p>
<p>8. Has the department developed measures/indicators to monitor &amp; evaluate the impact of its health promotion programme? If so, list these measures/indicators.</p>	X		<p>VCT will remain a priority area for our department.</p> <p>VCT sessions are always preceded by intensive awareness sessions where the issue of healthy lifestyles is addressed. It also forms an integral part of presentations at the induction sessions of new employees.</p> <p>Progress on the departmental workplace programmes is monitored through performance assessment reviews held between the HIV and AIDS Co-ordinator and the manager concerned (Special Programmes).</p>



## PART 4: HUMAN RESOURCES MANAGEMENT (OVERSIGHT REPORT)

### 4.10 LABOUR RELATIONS

The following table summarises the outcome of disciplinary hearings conducted within GMT for the year under review.

**TABLE 4.24: Misconduct and disciplinary hearings finalised**

Outcomes of disciplinary hearings	Number	% of total
None	0	0

**TABLE 4.25: Types of misconduct addressed at disciplinary hearings**

Type of misconduct	Number	% of total
None	0	0

**TABLE 4.26: Grievances lodged**

Type	Number	% of total
Number of grievances resolved	1	1
Number of grievances not resolved	0	0
Total number of grievances lodged	0	0

**Note:** GMT has a nil input to report on the following:

- Disputes lodged with Councils
- Strike actions
- Precautionary suspensions

### 4.11 SKILLS DEVELOPMENT

This section highlights the efforts of the Entity with regard to skills development.

**TABLE 4.27: Training needs identified at 1 April 2006**

Occupational Categories	Gender	Number of employees as at 31 March 2007	Training needs identified (from IDP)		
			Learnerships	Skills Programmes & other short courses	Total
Senior officials and managers	Female	4	0	7	7
	Male	14	0	35	35
Technicians and associate professionals	Female	0	0	0	0
	Male	9	0	54	54
Clerks	Female	33	1	95	96
	Male	26	1	64	65
Elementary occupations	Female	1	0	2	2
	Male	13	0	30	30
<b>Total</b>		<b>100</b>	<b>2</b>	<b>287</b>	<b>289</b>

## PART 4: HUMAN RESOURCES MANAGEMENT (OVERSIGHT REPORT)

**TABLE 4.28: Training provided**

Occupational Categories	Gender	Number of employees as at 31 March 2007	Training provided		
			Learnerships	Skills Programmes & other short courses	Total
Senior officials and managers	Female	4	0	2	2
	Male	14	0	2	2
Technicians and associate professionals	Female	0	0	0	0
	Male	9	0	0	0
Clerks	Female	33	1	15	16
	Male	26	1	6	7
Elementary occupations	Female	1	0	0	0
	Male	13	0	0	0
Total		100	2	25	27

**Note:** Other forms of training mainly refer to ABET.

### 4.12 INJURY ON DUTY

The following table provides basic information on injury on duty.

**TABLE 4.29: Injury on duty**

Nature of injury on duty	Number	% of total
Required basic medical attention only	3	3

### 4.13 UTILISATION OF EXTERNAL RESOURCES

GMT utilised the services of external/outsourced computer system development resources to assist with the upkeep and enhancement of FleetMan. The provincial government's Chief Directorate e-Innovation could not supply these resources. FleetMan is an Oracle based system to support GMT's core business activities namely vehicle procurement, fleet management, fleet logistics, fleet finance and fleet risk management. It assists GMT in providing cost-effective quality transport services to the provincial and national client departments and improving service delivery. To further assist with the prevention of unauthorised fuel transactions an electronically based fuel purchasing technology facility (eFuel) was introduced. The latter's transaction data was integrated with FleetMan. Further development during the year under review focused on enhancing GMT's service delivery to departments – e.g. the implementation of a risk management module.

FleetMan consists of the following:

**TABLE 4.30: System Configuration**

Facility	Quantum
Screens	174
Reports	239
Tables	550
Records	45 015 843
Space utilised	9.3 Gb
Database	13 Gb

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

**TABLE 4.31: Outsourced Resources Utilisation**

Resource Type	Quantum Hours
Business Analysts	3 919
System Development	8 191
System Management	5 366

## **PART 5: SHARED AUDIT COMMITTEE REPORT**

FOR THE YEAR ENDED 31 MARCH 2007

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

### **APPOINTMENT OF THE SHARED AUDIT COMMITTEE**

Government Motor Transport is served by a Shared Audit Committee appointed under Cabinet Resolution 75/2003 on 23 June 2003 which was subsequently extended by Cabinet Resolutions 95/2005 and 77/2007. The term of the Shared Audit Committee expires on 31 December 2007.

From 2008 the Government Motor Transport will be served by the Department of Transport and Public Works Audit Committee.

### **AUDIT COMMITTEE MEMBERS AND ATTENDANCE**

The Shared Audit Committee is required to meet a minimum of 4 times per annum as per its approved Terms of Reference. During the current year 11 meetings were held and the members attended as shown below.

<b>Member</b>	<b>Meetings Attended</b>
Mr J.A. Jarvis (Chairperson)	11
Mr J. January	5
Mr P. Jones	10
Mr R. Warley	8

### **AUDIT COMMITTEE RESPONSIBILITY**

The Shared Audit Committee has complied with its responsibilities arising from section 38(1) (a) of the PFMA and Treasury Regulation 3.1.13 and 27(1) (10). The Shared Audit Committee has also regulated its affairs and discharged its responsibilities in terms of the Audit Committee Charter.

### **EFFECTIVENESS OF INTERNAL CONTROL**

#### **Internal Audit**

The Shared Audit Committee notes that Internal Audit carried out audits in accordance with the operational Audit Plan and reported a number of significant issues including the non-recording of incapacity leave.

### **IN YEAR MANAGEMENT REPORTING**

The Shared Audit Committee has reviewed the In Year Management Reports and discussed these with Department officials. Sufficient progress is being made in the development and quality of these reports.

### **EVALUATION OF FINANCIAL STATEMENTS**

The Shared Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor General and the Accounting Officer;
- reviewed the Auditor General's Management Report and Management's response thereto; and
- reviewed significant adjustments resulting from the audit.

The Shared Audit Committee concurs and accepts the Auditor General's conclusion on the annual financial statements, and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor General.

## PART 5: SHARED AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 MARCH 2007

### APPRECIATION

The Audit Committee wishes to express its appreciation to the Provincial Treasury, Officials of the Department, the Auditor General and the Sihluma Sonke Consortium for the information they have provided for us to compile this report.



Mr JA Jarvis  
Chairperson of the Shared Audit Committee

Date: 17 September 2007

## **PART 6: ANNUAL FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2007

### **STATEMENT OF RESPONSIBILITY**

The Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended, requires the Accounting Officer to ensure that Government Motor Transport of the Western Cape (GMT) keeps full and proper records of its financial affairs. The AFS should fairly present the state of affairs of GMT, its financial results, its performance against predetermined objectives and its financial position at the end of the year in terms of Generally Accepted Accounting Practice (GAAP).

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

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

The Accounting Officer has reviewed GMT's budgets and cash flow forecasts for the year ended 31 March 2007. On the basis of the review, and in view of the current financial position, the Accounting Office has every reason to believe that GMT will be a going concern in the year ahead and has continued to adopt the going concern basis in preparing the AFS.

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

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

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

The Accounting Officer has reviewed GMT's systems of internal control and risk management for the period from 1 April 2006 to 31 March 2007. The Accounting Officer is of the opinion that GMT's systems of internal control and risk management were effective for the period under review, other than for the material losses, and irregular, fruitless or wasteful expenditure referred to in the Accounting Policies as set out in the AFS as part of this Annual Report.

In the opinion of the Accounting Officer, based on the information available to date, the AFS fairly present the financial position of GMT as at 31 March 2007 and the results of its operations and cash flow information for the year, and that the Code of Conduct has been adhered to.

The AFS for the year ended 31 March 2007 were submitted for auditing on 31 May 2007.

## PART 6: ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

CONTINUED

### REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF GOVERNMENT MOTOR TRANSPORT FOR THE YEAR ENDED 31 MARCH 2007

#### REPORT ON THE FINANCIAL STATEMENTS

##### *Introduction*

1. I have audited the accompanying financial statements of the Government Motor Transport (GMT) which comprise the statement of financial position as at 31 March 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 38 to 62.

##### *Responsibility of the accounting authority for the financial statements*

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice with Generally Recognised Accounting Practice Standards 1, 2 and 3, as described in note 1 to the financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999). This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

##### *Responsibility of the Auditor-General*

3. As required by section 188 of the Constitution of the Republic of South Africa 1996 (Act No. 108 of 1996), read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing, General Notice 647 of 2007, issued in Government Gazette no. 29919 of 25 May 2007. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:

- appropriateness of accounting policies used
- reasonableness of accounting estimates made by management
- overall presentation of the financial statements.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

##### *Basis of accounting*

8. The entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in the accounting policy note 1 to the financial statements.

##### *Opinion*

9. In my opinion these financial statements present fairly, in all material respects, the financial position of Government Motor Transport as at 31 March 2007 and of its financial performance and cash flows for the year then ended in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in the accounting policy note 1 to the financial statements, and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

#### OTHER MATTERS

I draw attention to the following matters which are ancillary to my responsibilities on the audit of the financial statements.

#### Material corrections made to the financial statements submitted for audit

## PART 6: ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

### CONTINUED

10. My audit identified that GMT did not appropriately account for fixed assets resulting in a redrafting of the financial statements.
11. In this regard, the following major line items were materially adjusted as a result of the audit.

#### **Income statement items**

- Other income has been adjusted by R12,9 million as a result of the incorrect accounting treatment of the sale of motor vehicles and deferred income.
- Other operating expenses have been adjusted by R21,4 million as a result of correcting journal entries.
- Depreciation has been adjusted by R10,9 million as a result of aligning the accounting policy to the reporting framework.
- The auditee has raised an impairment loss of R4,4 million as a result of aligning the accounting policy to the reporting framework.

#### **Balance sheet items**

- Property plant and Equipment has been restated by R49.6 million as a result of aligning the accounting policy to the reporting framework.
- Non-current assets held for sale has been restated by R900 000 as a result of audit adjustments that needed to be effected.
- Loans and receivables have been restated by R7,3 million as a result of audit adjustments.
- Deferred income was increased by R118 million as a result of aligning the accounting policy to the reporting framework.
- Current liabilities has been adjusted by R6,3 million to take into account income received in advance that was not previously accounted for.

#### **Items in the Statement of Changes in Equity**

- The capital fund of R55 million and the replacement fund of R149 million have been derecognised to ensure fair presentation of the financial statements and as a result of aligning the accounting policy to the reporting framework.
- In addition to the above changes, the prior year comparatives have also been restated to take into account the change in the accounting policy of property plant and equipment.

#### **Delay in finalisation of audit**

12. Due to the national public sector strike action during June 2007 the Auditor-General had to delay the finalisation of affected entities. As a result, the

Auditor-General's consistency review process of the audit reports could only be conducted subsequent to 31 July 2007, the consequence of which was a delay in the finalisation of the audit of this trading entity for the 2006/07 financial year.

#### **OTHER REPORTING RESPONSIBILITIES**

##### **Reporting on performance information**

13. I have audited the performance information as set out on pages 10 to 11.

##### **Responsibilities of the accounting authority**

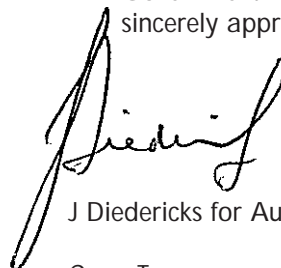
14. The accounting officer has additional responsibilities as required by section 40(3) (a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the department.

##### **Responsibility of the Auditor-General**

15. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007.
16. In terms of the foregoing my engagement included performing procedures of an audit 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.
17. I believe that the evidence I have obtained is sufficient and appropriate to report that there have been no significant findings identified as a result of my audit.

#### **APPRECIATION**

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



J Diedericks for Auditor-General

Cape Town

31 August 2007



AUDITOR - GENERAL

**PART 6: ANNUAL FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2007

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**REPORT BY THE ACCOUNTING  
OFFICER TO THE EXECUTIVE  
AUTHORITY AND THE PROVINCIAL  
PARLIAMENT**

**6.1 GENERAL REVIEW OF THE STATE OF  
AFFAIRS**

**6.1.1 Government Motor Transport mandate**

All government motor transport activities prior to 1988 were managed by the national Department of Transport. However, during June 1988 the provincial authorities of the day were commissioned by the National Cabinet to perform these functions through the respective government garages. The Provincial Government took this competency over from the pre 1994 dispensation and transformed the functions into GMT as a fleet management agency. The organisation currently resides within the Department of Transport and Public Works and is responsible for the execution of the fleet functions with regard to management, logistics, finance and risk.

**6.1.2 Accrual accounting**

In terms of Treasury Regulation 18.2 the Annual Financial Statements (AFS) of GMT must conform to Generally Accepted Accounting Practice (GAAP). GMT could not record its financial transactions to conform to GAAP as the transversal Basic Accounting Systems (BAS), utilised by the government to record its financial transactions, is cash based while GAAP requires an accrual based accounting system. A GAAP compliant accounting system needs to be acquired in terms of Treasury Regulation 17.3.1.

The financial affairs of the GMT are managed in terms of accounting standard operating procedures and a GAAP compliance implementation framework as part of the strategy until a GAAP compliant accounting system can be deployed. The current accounting policies were revisited and amended where necessary. The expert knowledge and skill of chartered accountants were contracted to assist with these actions.

The books of account were successfully closed-off on 18 May 2007 after which the conversion to GAAP was undertaken.

**6.1.3 Overview of AFS**

Financial performance

Revenue for the year under review increased by 58% from R171,3 million in the 2005/2006 year to R270,8 million in the 2006/2007 year. This increase is mainly the result of income received through the tariff charges due to the enlargement of the fleet (from 3 733 to 4 146

vehicles) as well as the transfer of the net cash surrendered in the 2005/2006 year.

Other Income for the year under review increased by R8,662 million from R24,693 in the 2005/2006 year to R33,355 million in the 2006/2007 year. This increase is due to bad debts recovered and a significant increase in the proceeds on the sale of vehicles.

The total expenses of GMT of R195 million were higher than the estimated expenses of R185,5 million. The increase is mainly due to critical enhancements and improvements that had to be implemented on the FleetMan system, the further rolling out of the tracking and control system and the rising costs of fuel, maintenance and other running costs of the vehicle fleet.

The net profit for the year increased from R27,909 million in the 2005/2006 year to R109,041 million in the 2006/2007 year. This increase is the result of the increase in Revenue as set out above.

Financial position

The financial position strengthened significantly as at year-end compared to 31 March 2006.

Non current assets increased from R227,9 million to R248,8 million mainly due to the increase in the vehicle value of the fleet.

Current Assets increased from R87,553 million to R185,987 million. This was mainly due to a 30 % increase in receivables (advances paid by clients for additional vehicles) and a R80,2 million increase in cash from R17,9 million on 31 March 2006 to R98,2 million on 31 March 2007. These increases are mainly the result of the increases in Revenue and Other Income as set out above.

Capital and Reserves increased from R192,012 million as at 31 March 2006 to R301,053 million as at 31 March 2007. This increase is due to the increase in the accumulated surplus as at 31 March 2007 due to the profit realised for the financial year under review.

Significant changes in accounting policies  
and accounting for errors

Attention is drawn to the fact that GMT has effected changes in its accounting policies and has corrected errors in its financial records that has a material affect on its operations and financial position.

The GMT fleet was previously depreciated on the straight line method without taking residual values into account. The policy was amended in compliance with GAAP standards and the fleet is now depreciated according to the units of production method. Motor Vehicles are



**PART 6: ANNUAL FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31 MARCH 2007

CONTINUED

stated in the Annual Financial Statements at historical cost less accumulated depreciation. Motor Vehicles are tangible assets held by the entity for use in the supply of fleet management services, which are expected to be used for more than a one year period. The units of production method results in an annual depreciation charge based on the use or output of the motor vehicles. This method provides the best approximation of the consumption of economic benefits contained in the asset. In terms of this method motor vehicles are initially recognised at cost and are depreciated annually based on daily tariffs recovered through the utilisation of the vehicle. Depreciation is calculated after taking residual values in account. Refer to Note 27 in the AFS for the effect of the change in the accounting policies.

Gains and losses on the disposal of motor vehicles are recognised in the income statement once they accrue to GMT.

The GMT previously expensed all development costs that were incurred for the FleetMan system. GMT has however now implemented IAS 38 on Intangible Assets and has capitalised all development costs on the system retrospectively. Refer to Note 26.2 of the AFS for the effect of the implementation of IAS 38.

**6.1.4 Policy**

GMT's continued through the financial year to provide a vehicle fleet management service to clients in managing the vehicle fleet of the government. One of the major challenges experienced over many years was the utilisation of log sheet data for billing purposes that caused discrepancies in the accounting of transactions. This was overcome by GMT by replacing the capturing of log sheet data with an electronic process (e-Billing) with effect from 1 April 2006 whereby odometer readings via the tracking devices and the fueling process are utilised. This ensured that all revenue is recorded in the financial year in which the service is rendered as prescribed in the GAAP Principle for Revenue (AC111/IAS18).

The project to fit tracking devices to the fleet has continued and it is anticipated that it will be concluded during the first half of the 2007/2008 year. This innovation will allow clients to manage their vehicles effectively in the drive to contain the high cost of transport. The deliverables achieved through the existing fuel management strategy and the vehicle tracking and control system forms part of the value added service. These services are also supported via a newly established Management Information Bureau (MIB) and existing technical help desk facilities.

The implementation of the newly developed dedicated risk module within FleetMan was completed during the 2006/2007 year and will be implemented during May

2007. This will enable GMT to compile regular risk profiles for utilisation in the detection of risks and compilation of action plans to contain such risks.

GMT also opted to form part of the Western Cape provincial commercial banking tender process to provide for banking fleet and vehicle identification technology services to replace the existing transversal national contract with effect from 1 October 2007. Bids have been awarded and the implementation has already commenced to ensure a smooth transition to the new contracts that will provide for an innovative solution regarding real time flow of transactions, on-line oil/fuel/maintenance transactions and associated processes.

**6.2 SERVICES RENDERED**

**6.2.1 Composition of fleet**

GMT renders a fleet service to its clients by providing and sharing its expertise gained in its various fleet administration sectors. The fleet consists of permanently allocated vehicles and temporary/relief vehicles. At year-end there were 4 146 vehicles in the fleet.

During the course of the year 314 replacement and 105 additional vehicles were purchased. The fleet is compiled as follows:

Provincial Client Departments	Quantity
Agriculture	200
Cape Nature	150
Community Safety	365
Cultural Affairs & Sport	76
Economic Development	17
Education	419
Environmental Affairs & Development Planning	32
Gambling & Racing Board	1
Health	1 324
Local Government and Housing	67
Parliament	6
Premier	26
Social Development	360
Transport and Public Works	168
Government Motor Transport (General Pool)	451*
Treasury	17
<b>SUB TOTAL</b>	<b>3 679</b>

\* Includes new vehicles that still had to be allocated to clients.

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FOR THE YEAR ENDED 31 MARCH 2007

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National Client Departments	Quantity
Environmental Affairs & Tourism	113
Foreign Affairs	1
Home Affairs	28
Independent Complaints Directorate	5
Justice	130
Labour (Service Products)	2
Land Affairs	29
Mineral & Energy Affairs	1
Office of the Presidency	8
Parliament	3
Prosecuting Authority	12
Public Service Commission	1
Public Works	132
Treasury	2
<b>SUB TOTAL</b>	<b>467</b>
<b>GRAND TOTAL</b>	<b>4 146</b>

### 6.2.2 Fleet management system

The fleet management system (FleetMan) assists GMT in providing cost-effective quality transport services to the clients and improving service delivery. GMT's core business activities are supported by this integrated system. It further effectively manages income and expenditure activities including fuel purchased, as well as the maintenance, repairs and sale of vehicles. GMT's clients have on-line access to FleetMan to manage the vehicles' allocated to them on a permanent basis.

### 6.2.3 Tariffs

Client departments provide GMT with the capital to purchase the required vehicles. These vehicles are purchased via competitive procurement processes and after delivery are captured on FleetMan which also constitutes a central asset register. Thereafter a daily tariff is charged to recover the replacement (capital) and overhead cost over the economic life cycles of the vehicles. The kilometre tariff on the other hand is intended to recover the running costs of vehicles. Provincial Treasury approved the revised tariffs for 2006/2007.

### 6.2.4 Inventories

Refer to Note 12 of the Notes to the AFS.

## 6.3 CAPACITY CONSTRAINTS

### 6.3.1 Thefts and hijacking of vehicles

Twenty two vehicles (ten less than the previous year) have been stolen/hijacked during the 2006/2007 year. All thefts have a negative effect on service delivery as temporary replacements have to be allocated from the general hire pool and are not always readily available as well as the lead time on replacement vehicles orders cause delays. During hijackings officials are placed under serious stress which requires counselling afterwards.

The project to install tracking and control devices in all vehicles was implemented to enhance operational efficiency, stabilise fleet expenditure, monitoring vehicle utilisation, to provide clients with a management tool to manage their resources effectively and to assist with the recovery of stolen vehicles. Eighty four percent of vehicles had been fitted with tracking and control devices by year-end and it is planned to complete the project by June 2007. The necessary financial provision to cover the cost was made within the operational budget of GMT. The project is showing positive results as nine of the twelve vehicles recovered during the 2006/2007 year were vehicles fitted with tracking devices.

### 6.3.3 Staff and establishment structure

GMT managed to institute internal organisational shifts to its establishment structure to meet the critical additional requirements of its clients as an interim measure. The additional functions emanating from the misuse report line, tracking and control, computer and systems support, electronic billing and the MIB were implemented to maintain minimum levels of service delivery standards. However, the establishment needs to be expanded to cater for these additional functions at maximum levels of service delivery standards.

### 6.3.4 Debt control

The conventional method to capture the logs of vehicles (kilometres travelled) manually has proved to be a very slow process that causes delays in the billing of all kilometres travelled in the financial year. The revised electronic e-billing process was introduced with effect from 1 April 2006. This methodology proved successful as all kilometres travelled during the 2006/2007 year could be billed before year-end.

It remains a challenge to ensure that government debtors settle the accounts within 30 days as prescribed in terms of the PFMA. A solution would be to implement electronic interfaces between FleetMan and BAS whereby clients could be debited directly with daily and

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FOR THE YEAR ENDED 31 MARCH 2007

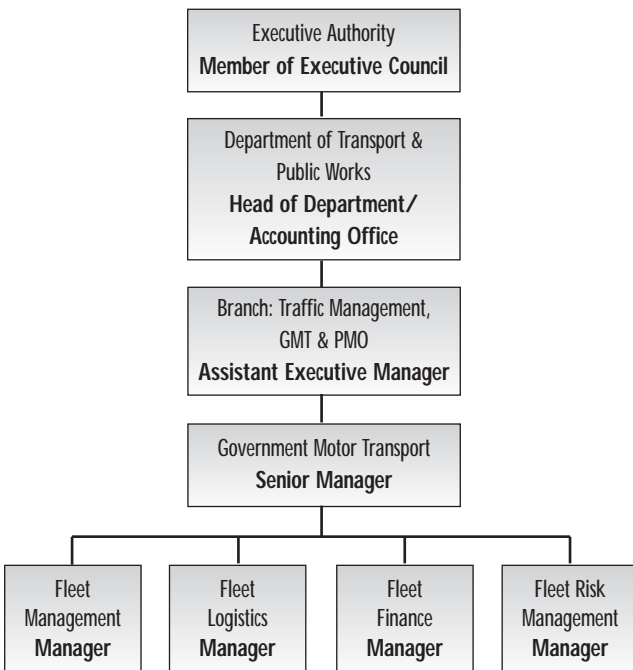
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kilometre claims. However, the aforementioned will require extensive and costly system changes. The proposed solution requires further work.

**6.4 TRADING ENTITY GMT**

Accountability arrangements

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



In support of GMT's Annual Performance Plan performance agreements were entered into with the management of GMT. Each staff member has an individual performance and development plan. GMT's strategic objectives are included in the Strategic Plan of the Department of Transport and Public Works.

**6.5 CORPORATE GOVERNANCE ARRANGEMENTS**

**6.5.1 Risk management**

GMT utilises the Enterprise Risk Management Unit of the Department.

The departmental strategic risk assessment was conducted on 6 February 2007, whilst a separate assessment is planned for GMT in June 2007. The purpose of which will be to identify all risks that could adversely affect the achievement of these objectives.

The business risks of GMT are dealt with via an internal component that is also responsible for early detection of

fraudulent repair, maintenance and fuel transactions. The follow-up is done in consultation with the Provincial Forensic Investigative Unit at the Department of the Premier and the service provider for banking fleet services.

**6.5.2 Fraud prevention**

The Minister of Transport and Public Works and the Head of Department signed a fraud prevention plan inclusive of a fraud policy on 26 April 2004. GMT is part of the Department that participates in the shared provincial whistle blowing mechanisms, which are provided by the Forensic Audit component at the Department of the Premier. An aid to all staff in reporting of any unethical or fraudulent behaviour is the availability of a toll free hotline where such behaviour can be reported anonymously. Reported incidents are investigated by Forensic Audit. In addition, a departmental ethics officer has been appointed to promote ethical behaviour. To strengthen the system of financial management, risk management and internal control a Fraud/Risk Management Committee was established. The Head of GMT is a member of said Committee.

The Provincial Fraud Investigative Unit initiated a process whereby management letters from the Auditor-General were examined to determine areas that should be subjected to forensic investigative auditing. The approach was followed to identify matters where a reasonable possibility exists that losses were incurred and financial misconduct had occurred. The auditable areas identified are travelling and subsistence claims, duplicate invoices and payments and isolated transfer payments and disposal of land. The outcome of the initiative is pending.

**6.5.3 Internal audit**

GMT as part of the Department makes use of a Shared Internal Audit Service institutionally vested in and resourced by the Provincial Treasury. The internal audit plan, approved by the Audit Committee, is based on the risk assessment contained in the Consolidated Risk Report, 2004 inclusive of a reprioritisation of such risks.

**6.5.4 Audit committee**

GMT as part of the Department makes use of a Shared Services Audit Committee. A three year strategic annual audit plan was developed.

**6.5.5 Internal control**

To ensure reliable financial information, financial and operational systems of internal control are maintained. These controls are designed to provide reasonable assurance that transactions are appropriately authorised

## PART 6: ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

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and recorded, and assets are adequately safeguarded against material losses through unauthorised acquisition, use or disposal.

Compliance officers vested within an internal control inspectorate, supported by a self-assessment questionnaire, evaluate and monitor the functionality and effectiveness of internal controls and report findings and recommendations to management. Remedial actions are taken to address control deficiencies and improve the systems as identified. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Consequently, even an effective internal control system can only provide reasonable assurance with respect to financial statement preparation and the safeguarding of assets.

The internal control inspectorate capacity was mainly employed to assist with process and control mapping within the risk management processes.

To strengthen and improve internal control, the Financial Control component of the Department was reorganised and the recruitment process is underway.

### 6.5.6 Conflict of interest

All employees annually disclose their financial interest, the data of which is captured on PERSAL.

### 6.5.7 Code of conduct

All employees are expected to comply with the Code of Conduct for the Public Service. The purpose of the Code is to guide employees as to what is expected of them from an ethical point of view, both in their individual conduct and their relationship with others.

### 6.5.8 Health and safety

The Department has and maintains a health and safety management programme inclusive of the health and safety policy in accordance with the Occupational Health and Safety Act, 1993. GMT has a fully functional health and safety committee where the employer and employee representatives are represented. Proper record is kept of incidents and remedial actions taken.

## 6.6 NEW / PROPOSED ACTIVITIES

GMT implemented the following new activities:

### (a) FleetMan

GMT developed FleetMan to serve as a core business tool in the execution of its functions. The system was enhanced during the financial year and

the additional functionality will ensure an effective final product. In response to requests from other organs of state the Provincial Cabinet granted approval that the system be made available to promote co-operative governance and to prevent unnecessary development cost. The roll-out of the system to external clients will require system enhancements and strengthening of the ICT infrastructure. The aforementioned is in the final planning phase and will be finalised in the first half of the 2007/2008 year.

The system's operating system was migrated to the latest version of Oracle 10G (standard edition). The aforementioned enhancement also enabled the conversion of the system to a full web version thus allowing access via web browsers over the LAN/WAN's. No downtime or any loss in productivity occurred during the implementation of the new version. The standard edition will be upgraded to the enterprise edition during the first quarter of the 2007/2008 year to provide for the more advanced requirements of the new banking contract with effect from 1 October 2007.

### (b) Service level agreement (SLA)

A service level agreement (SLA) which was fully consulted with the clients will be ready for implementation in the 2007/08 year. The SLA makes provision for all the services performed by GMT based on the four pillars, e.g. fleet management, fleet finance, fleet risk management and fleet logistics together with service standards.

### (c) Management Information Bureau (MIB)

It is planned to increase the capacity of the MIB to capture all vehicle related incidents, e.g. accidents, alleged misuse of vehicles and thefts and therefore ensuring a single point of entry and a focus on the delivering of professional management bureau services. The creation of additional capacity has been included in the proposed revised new staff and establishment structure.

### (d) Equitable distribution of work

GMT initiated a project during the 2006/2007 year to increase the BBBEE market share through its distribution of repair, maintenance and vehicle conversion work (ambulances/rescue and mortuary vehicles). The first phase of the project entailed the confirmation of merchants' details to ensure reliable statistics. The accident repair merchant's survey has been concluded and the mechanical segment will commence during the 2007/2008 year. Targets have been set for monitoring on a monthly basis.

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**6.7 ASSET MANAGEMENT**

LOGIS is fully implemented in GMT to deal with the procurement of vehicles and other movable assets. All asset data is captured and maintained in FleetMan.

**6.8 EVENTS AFTER THE REPORTING DATE**

Note 25 of the AFS refers to a disclosure of preliminary claims from 3rd parties against GMT as well as the estimated loss value with regard to government vehicles after reporting date as non-adjusting events after the reporting date in the AFS.

**6.9 PERFORMANCE INFORMATION**

The Annual Performance Plan (2006/07 – 2008/09) was tabled in the Provincial Parliament. Performance information is dealt with in **PART 3** of this Annual Report.

**6.10 STANDING COMMITTEE ON PUBLIC ACCOUNTS (SCOPA): RECOMMENDATIONS**

The table below shows the recommendations and progress on the Fourth Report of the Standing Committee on Public Accounts (SCOPA) on the discussion of the Annual Report of GMT for 2005/06. This Report was Tabled and adopted by the House on 5 December 2006.

The GMT fleet was previously depreciated on the straight line method without taking residual values into account. The policy was amended in compliance with GAAP standards and the fleet is now depreciated according to the units of production method.

Item 2.1: Non-compliance with the prescribed reporting framework	Recommendation	Progress
<p>The committee notes the sound and excellent work done by Government Motor Transport however the committee heard and considered evidence with regard to Government Motor Transport (GMT), which is an entity operating within the ambit of the Department – the biggest point of departure is that GMT is on an accrual basis of accounting and the department is on a modified cash basis of accounting. The transactions are accounted for differently, and the underlying standards to draw up the accounts are different.</p> <p>Residual values are those values that the entity may get at the end of the useful life of an asset, which should be discounted in calculating the depreciation of the vehicle. This would automatically feed into the tariff that is calculated on an annual basis, which is used as the basis to charge user departments.</p> <p>The serious concern is that the residual values need to be factored into the valuation model, at the start of the vehicles life, and at every subsequent year-end. In terms of the Treasury Regulations, Government Motor Transport has to comply with the South African Statements of Generally Accepted Accounting Practice as an accounting framework to present financial statements.</p> <p>GMT should assess the residual value and the depreciation rate of a vehicle on an annual basis and by not performing this exercise, GMT has incorrectly accounted for depreciation resulting in expenditure being overstated.</p> <p>At present, GMT's business process does not factor in the residual value of a vehicle, as GMT considers the residual value to be zero. In addition, they expect to utilize the vehicle to its full economic potential, which is greater than the estimated useful life, and as a result, a significant number of vehicles that have already been fully depreciated are still in use.</p>	<p>Having considered the evidence GMT should ensure that residual value is calculated for all vehicles upon acquisition and hence should incorporate the residual value into the calculation of depreciation. Furthermore the entity should embark on an exercise to account for the residual value for all vehicles maintained in its fleet as a matter of urgency.</p>	<p>Motor vehicles are stated in the AFS (2006/07) at historical cost less accumulated depreciation. The vehicles as tangible assets held by GMT are expected to be used for more than a one year period.</p> <p>Motor vehicles are depreciated according to the units of production method. This method results in an annual depreciation charge based on the use or output of the motor vehicles. This method provides the best approximation of the consumption of economic benefits contained in the asset.</p> <p>In terms of this method motor vehicles are initially recognised at cost and are depreciated annually based on daily tariffs recovered through the utilisation of the vehicle. Depreciation is calculated after taking residual values in account.</p> <p>Gains and losses on the disposal of motor vehicles are recognised in the Income Statement once they accrue to GMT.</p> <p>The Accounting Policy outlining the depreciation of motor vehicles was amended as set out in Note 27 of the Notes to the AFS.</p>

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CONTINUED

**6.11 APPROVAL**

The AFS as set out on pages 38 to 62 have been prepared in accordance with GAAP as prescribed in the Treasury Regulations, PFMA and relevant guidelines specified/issued by the National Treasury.



**ACCOUNTING OFFICER**

**DATE:** 31 May 2007

**INCOME STATEMENT**  
 FOR THE YEAR ENDED 31 MARCH 2007

		<b>2006/07</b>	<b>2005/06</b>
	<b>Notes</b>	<b>R'000</b>	<b>R'000</b>
Revenue	2	270,777	171,317
Gross profit		270,777	171,317
Other income	3	33,355	24,693
		304,132	196,010
Administrative expenses	4	(22,845)	(17,692)
Staff costs	5	(10,930)	(11,036)
Transfers and subsidies	6	(7)	(26)
Other operating expenses	7	(106,579)	(94,555)
Depreciation	8	(42,158)	(37,868)
Amortisation	9	(387)	(236)
Impairment losses		(4,391)	(6,344)
Operating leases		(7,794)	(344)
Net profit/(loss) for the year		<b>109,041</b>	<b>27,909</b>

## BALANCE SHEET

AS AT 31 MARCH 2007

	Notes	2006/07 R'000	2005/06 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	242,218	223,778
Intangible assets	11	6,667	4,133
<b>Current assets</b>			
Inventories	12	41	44
Loans and receivables	13	86,736	66,886
Non-current assets held for sale	14	992	2,628
Cash and cash equivalents	15	98,218	17,995
<b>Total assets</b>		<b>434,872</b>	<b>315,464</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
		301,053	192,012
<b>Non-current liabilities</b>			
Provisions	18	1,476	1,665
Deferred income	16	122,812	116,592
<b>Current liabilities</b>			
Trade and other payables	17	9,522	4,863
Current portion of provisions	18	9	332
<b>Total equity and liabilities</b>		<b>434,872</b>	<b>315,464</b>



**STATEMENT OF CHANGES IN EQUITY**  
 FOR THE YEAR ENDED 31 MARCH 2007

	<b>Accumulated Profit/(Loss)</b>	<b>Capital Fund</b>	<b>Replacement Fund</b>	<b>Total Equity</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
<b>Balance at 1 April 2005</b>	<b>(29,880)</b>	<b>149,074</b>	<b>55,481</b>	<b>174,675</b>
Correction of an error (Note 26.4)	109,468	(149,074)	(55,481)	(95,087)
Change in accounting policy (Note 27.1)	84,515	-	-	84,515
	<b>164,103</b>	<b>-</b>	<b>-</b>	<b>164,103</b>
Net profit for the year	27,909	-	-	27,909
<b>Balance at 1 April 2006</b>	<b>192,012</b>	<b>-</b>	<b>-</b>	<b>192,012</b>
Net profit for the year	109,041	-	-	109,041
<b>Balance at 31 March 2007</b>	<b>301,053</b>	<b>-</b>	<b>-</b>	<b>301,053</b>

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	2006/07 R'000	2005/06 R'000
<b>Operating activities</b>			
Cash generated from operations	19	143,782	127,898
<b>Net cash flow from operating activities</b>		<u>143,782</u>	<u>127,898</u>
<b>Net cash flow used in investing activities</b>			
	20	<u>(69,779)</u>	<u>(41,067)</u>
<b>Net cash flow from financing activities</b>			
	21	<u>6,220</u>	<u>(87,963)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		80,223	(1,132)
<b>Cash and cash equivalents at the beginning of the year</b>		17,995	19,127
<b>Cash and cash equivalents at end of the year</b>		<u><b>98,218</b></u>	<u><b>17,995</b></u>

## ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2007

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

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

### 1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP	Replaced Statement of GAAP
GRAP 1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP 2: Cash flow statements	AC 118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC 103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in terms presented and disclosed in the annual financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following significant changes in the presentation of the annual financial statements:

#### **Terminology differences:**

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit	Profit/loss for the period
Accumulated surplus/deficit	Retained earnings
Reporting date	Balance sheet date

The cash flow statement can only be prepared in accordance with the direct method.

#### **Specific information such as:**

- (a) receivables from non-exchange transactions, including taxes and transfers;
- (b) taxes and transfers payable;
- (c) trade and other payables from non-exchange transactions; must be presented separately on the statement of financial position

The amount and nature of any restrictions on cash balances should be disclosed.

## ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2007

CONTINUED

### 2. CURRENCY

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

### 3. REVENUE RECOGNITION

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

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

### 4. STAFF COSTS

#### *Post – employment benefit costs*

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

#### *Pension Fund*

GMT offers a defined contribution plan. The assets generated by this plan consists of contributions made by both GMT and the employees and are generally held in a separate administered fund, namely the Government Employees' Pension Fund. This fund is administered on behalf of GMT by pension fund administrators and is governed by the Pensions Fund Act, 1956 as amended.

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

### 5. IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

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

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

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

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

### 6. VEHICLES AND PLANT AND EQUIPMENT

#### *Accounting policy: plant and equipment*

Items of plant and equipment are stated at historical cost less accumulated depreciation. The actual useful life of these assets is assessed annually and could vary as a result of technological innovations and maintenance programs.

The change in useful life will be accounted for as a change in accounting estimate, thus the depreciation for the current year and future years will be restated. Depreciation figures may in future vary on an annual basis.

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

Plant and equipment are originally measured at cost and are depreciated on a basis considered appropriate to reduce the carrying amount over the expected lifespan of the assets.

Estimated useful lives:

• Workshop equipment:	Reducing balance (15% per annum)
• Office equipment:	Straight line (6 years)
• IT equipment:	Straight line (3 years)
• Tools:	Straight line (5 years)
• Domestic equipment:	Straight line (6 years)
• Photographic equipment:	Straight line (6 years)
• Computer software:	Straight line (3 years)
• Plant and equipment < R5,000:	Straight line (1 year)

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

CONTINUED

## ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2007

### **Accounting policy: Motor Vehicles**

Motor Vehicles are stated in the Annual Financial Statements at historical cost less accumulated depreciation. Motor Vehicles are tangible assets held by the entity for use in the supply of fleet management services, which are expected to be used for more than a one year period.

Motor Vehicles are depreciated according to the units of production method. This method results in an annual depreciation charge based on the use or output of the motor vehicles. This method provides the best approximation of the consumption of economic benefits contained in the asset. In terms of this method motor vehicles are initially recognised at cost and are depreciated annually based on daily tariffs recovered through the utilisation of the vehicle. Depreciation is calculated after taking residual values in account.

Gains and losses on the disposal of motor vehicles are recognised in the income statement once they accrue to the entity.

### **7. INTANGIBLE ASSETS**

Intangible assets are shown at cost less accumulated amortisation and impairment losses. Expenditure on the development of the FleetMan system is capitalised by the GMT and amortised using the straight line basis over its useful life. The useful life of the FleetMan system is regarded to be 15 years. Amortisation commenced from 1 April 2001 which is considered to be the date when the asset was available for use. Intangible assets are not revalued. The carrying amount of the intangible asset is reviewed annually and adjusted for impairment, where it is considered necessary.

### **8. IMPAIRMENT OF PROPERTY PLANT AND EQUIPMENT**

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the

increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

### **9. LEASING**

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

### **10. INVENTORIES**

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

### **11. FINANCIAL INSTRUMENTS**

#### **Recognition**

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

All "regular way" purchases and sales of financial assets are initially recognised using trade date accounting.

#### **Measurement**

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

#### **Financial assets**

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

- Trade receivables

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

#### **Financial liabilities**

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

- Trade payables

Trade and other payables are stated at their nominal value.

**ACCOUNTING POLICIES**  
FOR THE YEAR ENDED 31 MARCH 2007

CONTINUED

**12. PROVISIONS**

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

**13. DEFERRED INCOME**

Government grants received as well as vehicles donated to the GMT, free of charge (also referred to as take-in vehicles) are recorded as deferred income when ownership of the vehicle is transferred to GMT. The deferred income is recognised as income on a systematic base, matching over the useful life of the vehicles, the depreciation on these vehicles with the income from grants, in the income statement.

**14. COMPARATIVE FIGURES**

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

**15. CONTINGENT LIABILITIES**

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

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

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

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

**16. EVENTS AFTER THE REPORTING DATE**

The Entity considers events that occur after the reporting date for inclusion in the AFS. Events that occur between the reporting date (31 March 2007) and the date on which the audit of the financial statements is completed (31 July 2007) are considered for inclusion in the AFS.

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

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

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

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

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

The financial statements for the current year have been prepared in accordance with Standards of Generally Accepted Accounting Practice.

### 2. REVENUE

	2006/07 R'000	2005/06 R'000
An analysis of the entity's revenue is as follows:		
Rendering of services:	270,777	171,317
National Departments	60,749	51,934
Provincial Departments	210,028	119,383
<b>Total</b>	<b>270,777</b>	<b>171,317</b>

### 3. OTHER INCOME

	2006/07 R'000	2005/06 R'000
Bad debts recovered	7,888	-
Grants received	25,058	23,862
Other	409	831
<b>Total</b>	<b>33,355</b>	<b>24,693</b>

### 4. ADMINISTRATIVE EXPENSES

	2006/07 R'000	2005/06 R'000
General and administrative expenses	13,188	8,144
– Administrative	13,188	8,144
Travel and subsistence	9,657	9,548
<b>Total</b>	<b>22,845</b>	<b>17,692</b>

### 5. STAFF COSTS

	2006/07 R'000	2005/06 R'000
Wages and salaries		
Basic salaries	7,546	7,734
Performance awards	218	169
Periodic payments	667	636
Other non-pensionable allowance	593	497
Leave payments	26	138
Overtime and long service payments	59	124
Social contributions (employer's contributions)		
Medical	762	732
Official unions and associations	3	3
Pension	1,056	1,003
<b>Total</b>	<b>10,930</b>	<b>11,036</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

CONTINUED

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

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

ENTITY	Salary / Fee R'000	Performance Bonus R'000	Medical Aid Contribution R'000	Pension Contribution R'000	Retirement Annuity Fund R'000	Total R'000
<b>Year ended 31 March 2006</b>						
Senior Manager	342	9	12	22	5	<b>390</b>
Manager: Fleet Finance	208	11	8	15	-	<b>242</b>
Manager: Fleet Logistics	174	9	18	13	2	<b>216</b>
Manager: Fleet Management	208	11	15	15	-	<b>249</b>
Manager: Fleet Risk Management	208	11	8	15	2	<b>244</b>
<b>TOTAL</b>	<b>1,140</b>	<b>51</b>	<b>61</b>	<b>80</b>	<b>9</b>	<b>1341</b>

ENTITY	Salary / Fee R'000	Performance Bonus R'000	Medical Aid Contribution R'000	Pension Contribution R'000	Retirement Annuity Fund R'000	Total R'000
<b>Year ended 31 March 2007</b>						
Senior Manager	448	15	34	30	7	<b>534</b>
Manager: Fleet Finance	249	20	8	28	-	<b>305</b>
Manager: Fleet Logistics	167	7	11	7	-	<b>192</b>
Manager: Fleet Management	119	9	8	14	-	<b>150</b>
Manager: Fleet Risk Management	197	19	10	22	-	<b>248</b>
<b>TOTAL</b>	<b>1,180</b>	<b>70</b>	<b>71</b>	<b>101</b>	<b>7</b>	<b>1429</b>

### 6. TRANSFERS AND SUBSIDIES

	2006/07 R'000	2005/06 R'000
Transfers		
Local Governments	7	26
Total	<b>7</b>	<b>26</b>



**CONTINUED** **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31 MARCH 2007

**7. OTHER OPERATING EXPENSES**

	<b>2006/07</b> <b>R'000</b>	<b>2005/06</b> <b>R'000</b>
Staff training and development	2	14
Consultants, contractors and special services	5,489	3,494
Legal fees	–	6
Maintenance, repairs and running costs	<b>97,073</b>	<b>82,148</b>
– Property and buildings	58	141
– Machinery and equipment	97,015	82,007
Loss on sale of vehicles	900	862
Assets < R 5,000	–	80
Provision for doubtful debts	573	5,568
Tracking cost	2,035	1,611
Third party claims	503	758
Entertainment expense	4	14
<b>Total</b>	<b>106,579</b>	<b>94,555</b>

**8. DEPRECIATION**

	<b>2006/07</b> <b>R'000</b>	<b>2005/06</b> <b>R'000</b>
– Plant, machinery and equipment	333	232
– Vehicles	41,825	37,636
<b>Total</b>	<b>42,158</b>	<b>37,868</b>

**9. AMORTISATION**

	<b>2006/07</b> <b>R'000</b>	<b>2005/06</b> <b>R'000</b>
Intangible asset – FleetMan	387	236
<b>Total</b>	<b>387</b>	<b>236</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

CONTINUED

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

	Plant and equipment R'000	Vehicles R'000	Total PPE R'000
<b>Year ended 31 March 2006</b>			
Carrying amount as at 1 April 2005	141	233,825	233,966
Gross carrying amount	195	353,438	353,633
Accumulated depreciation	(54)	(119,613)	(119,667)
Accumulated impairment losses	–	–	–
Additions at cost	783	45,267	46,050
Disposals at book value	–	(9,454)	(9,454)
Cost	–	(18,516)	(18,516)
Accumulated depreciation	–	9,062	9,062
Depreciation charge	(232)	(37,636)	(37,868)
Assets still in use/Unidentifiable	(21)	–	(21)
Damaged vehicles used for parts	–	(913)	(913)
– Cost	–	(1,614)	(1,614)
– Accumulated depreciation	–	701	701
Stolen and alienated	–	(5,354)	(5,354)
– Cost	–	(8,119)	(8,119)
– Accumulated depreciation	–	2,765	2,765
Non-current assets held for sale	–	(2,628)	(2,628)
– Cost	–	(5,311)	(5,311)
– Accumulated depreciation	–	2,683	2,683
<b>Net carrying amount 31 March 2006</b>	<b>671</b>	<b>223,107</b>	<b>223,778</b>
Gross carrying amount	978	365,145	366,123
Accumulated depreciation	(286)	(142,038)	(142,324)
Accumulated impairment losses	(21)	–	(21)
<b>Year ended 31 March 2007</b>			
Carrying amount as at 1 April 2006	<b>671</b>	<b>223,107</b>	<b>223,778</b>
Gross carrying amount	978	365,145	366,123
Accumulated depreciation	(286)	(142,038)	(142,324)
Accumulated impairment losses	(21)	–	(21)
Additions at cost	261	75,667	75,928
Disposals at book value	–	(9,970)	(9,970)
– Cost	–	(20,571)	(20,571)
– Accumulated depreciation	–	10,601	10,601
Depreciation charge	(333)	(41,825)	(42,158)
Impairment loss	(16)	(2,353)	(2,369)
Assets still in use/Unidentifiable	–	–	–
Damaged vehicles used for parts	–	(96)	(96)
– Cost	–	(281)	(281)
– Accumulated depreciation	–	185	185
Stolen and alienated	–	(1,215)	(1,215)
– Cost	–	(1,461)	(1,461)
– Accumulated depreciation	–	246	246
Non-current assets held for sale	–	(1,680)	(1,680)
– Cost	–	(3,316)	(3,316)
– Accumulated depreciation	–	1,636	1,636
<b>Net carrying amount 31 March 2007</b>	<b>583</b>	<b>241,635</b>	<b>242,218</b>
Gross carrying amount	1,239	415,183	416,422
Accumulated depreciation	(619)	(171,195)	(171,814)
Accumulated impairment losses	(37)	(2,353)	(2,390)

CONTINUED ● **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31 MARCH 2007

**11. INTANGIBLE ASSETS**

	FleetMan R'000
<b>Year ended 31 March 2006</b>	
Carrying amount as at 1 April 2005	<b>2,551</b>
Gross carrying amount	2,686
Accumulated amortisation	(135)
Development cost capitalised	1,818
Amortisation	(236)
Net carrying amount as at 31 March 2006	<b>4,133</b>
Gross carrying amount	4,504
Accumulated amortisation	(371)
<b>Year ended 31 March 2007</b>	
Carrying amount as at 1 April 2006	<b>4,133</b>
Gross carrying amount	4,504
Accumulated amortisation	(371)
Development cost capitalised	2,921
Amortisation	(387)
Net carrying amount as at 31 March 2007	<b>6,667</b>
Gross carrying amount	7,425
Accumulated amortisation	(758)

**12. INVENTORIES**

	2006/07 R'000	2005/06 R'000
Consumable stores	41	44
Total	<b>41</b>	<b>44</b>

**13. LOANS AND RECEIVABLES**

	2006/07 R'000	2005/06 R'000
Trade receivables	111,946	56,004
Department of Transport and Public Works	–	43,408
Less: Provision for doubtful debts	(25,210)	(32,526)
Total	<b>86,736</b>	<b>66,886</b>

The provision for doubtful debts has been determined by reference to past default experience and the current economic environment. Included in the provision for doubtful debts is an amount of R 18,794 m which GMT intends to write off as bad debts, but authorisation for the write-off has not yet been received from the Accounting Officer of the Department of Transport and Public Works.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2007

CONTINUED

**14. NON-CURRENT ASSETS HELD FOR SALE**

	<b>2006/07</b> <b>R'000</b>	<b>2005/06</b> <b>R'000</b>
Vehicles	1,680	2,628
Less: Impairment loss	(688)	-
<b>Total</b>	<b>992</b>	<b>2,628</b>

During the year under review, management made a resolution to dispose of vehicles. The disposal decision was based on the ageing of the vehicles/economic viability of the assets. To ensure transparency and fairness on the process an independent auctioneer will be appointed. The scheduled date of the disposal is 26 April 2007.

**15. CASH AND CASH EQUIVALENTS**

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

	<b>2006/07</b> <b>R'000</b>	<b>2005/06</b> <b>R'000</b>
Cash held by the Western Cape Department of Transport & Public Works	98,218	17,995
	<b>98,218</b>	<b>17,995</b>

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

**16. DEFERRED INCOME**

	<b>2006/07</b> <b>R'000</b>	<b>2005/06</b> <b>R'000</b>
Opening balance	92,487	96,622
Grants/vehicles received during the year	27,485	19,727
Other income - Deferred income	(25,058)	(23,862)
<b>Closing balance</b>	<b>94,914</b>	<b>92,487</b>
Depreciation, impairment and vehicles sold	<b>(25,058)</b>	<b>(23,862)</b>
<b>Other government grants received (Income received in advance)</b>	<b>27,898</b>	<b>24,105</b>
<b>Total</b>	<b>122,812</b>	<b>116,592</b>

CONTINUED ● **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31 MARCH 2007

**17. TRADE AND OTHER PAYABLES**

	2006/07 R'000	2005/06 R'000
Trade creditors	9,522	4,863

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

**18. PROVISIONS**

	2006/07 R'000	2005/06 R'000
<b>Salary and related expense provision</b>	1,244	1,481
Opening balance	1,481	1,655
Unused amounts reversed during the year	(228)	–
Provisions made during the year	–	158
Less: current portion of provision	(9)	(332)
Commitments	232	184
	<b>1,476</b>	<b>1,665</b>

The following is included in the provisions:

**Capped leave pay**

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

**Commitments**

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

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 19. RECONCILIATION OF CASH GENERATED FROM OPERATIONS

	2006/07 R'000	2005/06 R'000
Net profit from income statement	109,041	27,909
Correction of error	–	109,468
Adjusted for:		
– Depreciation - property, plant and equipment	42,158	37,868
– Amortisation - intangible assets	387	236
– Net increase in provision for employee benefits	–	(209)
– Impairment	4,368	6,288
– Increase in accruals for accidents and claims	(41)	(212)
– Loss on disposal of vehicles	900	862
– Increase in accruals for operating expenditure	116	1,682
– Increase in provisions	(512)	317
Operating cash flows before working capital changes	<b>156,417</b>	<b>184,209</b>
Working capital changes	<b>(12,635)</b>	<b>(56,311)</b>
– (Increase)/Decrease in inventories	3	(34)
– Decrease/(increase) in receivables	(19,851)	(46,916)
– Increase/(decrease) in payables	4,585	1,477
– Increase/(decrease) in payables	–	(10,838)
– (Increase)/decrease in Non-current assets held for sale	2,628	–
<b>Cash generated from operations</b>	<b>143,782</b>	<b>127,898</b>

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

	2006/07 R'000	2005/06 R'000
Proceeds on disposal of property, plant and equipment	9,070	8,592
Acquisition of property, plant and equipment	(75,928)	(46,050)
Correction of error – Plant and equipment – carrying value as at 31 March 2005	–	635
Correction of error – Vehicles at cost as at 31 March 2005	–	125
Intangible asset – development cost capitalised	(2,921)	(4,369)
<b>Cash used in investing activities</b>	<b>(69,779)</b>	<b>(41,067)</b>

### 21. NET CASH FLOW FROM FINANCING ACTIVITIES

	2006/07 R'000	2005/06 R'000
<b>Financing activities</b>		
Increase in replacement fund	–	(55,481)
Decrease in capital fund	–	(149,074)
Increase in deferred income	6,220	116,592
<b>Cash from financing activities</b>	<b>6,220</b>	<b>(87,963)</b>

**CONTINUED** ● **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**22. CONTINGENT LIABILITIES**

Claims are instituted against GMT by third parties who are party to a motor vehicle accident involving a government vehicle. An amount of R 11,188.50 (2005/06: R 50,764.62) in respect of claims made against GMT and paid during the next financial year has been raised as a payable in the financial statements. The total amount of unpaid claims made against GMT at the end of the 2006/07 financial year is R 996,879.55. This implies that a contingent liability of R 985,691.05 exists, but has not been raised in the financial statements as the existence of this obligation will only be confirmed by the future payment of these claims.

GMT also has a contingent liability in respect of housing loan guarantees to Nedbank and ABSA regarding two employees of the GMT amounting to R 16,756 and R 13,305 respectively.

**23. OPERATING LEASE ARRANGEMENTS**

**The Entity as lessee**

At the balance sheet date the Entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2006/07 R'000	2005/06 R'000
Up to 1 year	9,556	6,481
2 to 5 years	27,575	13,897
More than 5 years	-	-
	<b>37,131</b>	<b>20,378</b>

**24. CAPITAL COMMITMENTS**

	2006/07 R'000	2005/06 R'000
Commitments for the acquisition of property, plant and equipment	2,425	18,140
- Property, plant and equipment ordered, but not provided in the financial statements	2,425	18,140

**25. EVENTS AFTER THE REPORTING DATE**

**Non-adjusting events**

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

3rd Party claims

2 (Two) cases with an estimated claim value of R 16,696.65

Damages/Losses - government vehicles

116 (One hundred and sixteen) cases with an estimated value of R 359,924.91.

**Adjusting events**

GMT disposed of vehicles after year-end. The scheduled date of the auction was 26 April 2007 and 31 May 2007. An impairment loss to the amount of R 3,182,331.63 has been recognised on these vehicles based on the auctioned price (excluding auction costs) compared to the Auto Dealers' Guide (ADG) values of these vehicles as at 31 March 2007.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**26. ERROR**

**26.1: Property, plant and equipment – Vehicles**

With the composition of the fixed asset register in accordance with the new accounting policy on vehicles, the following errors came to light and the comparative figures have been appropriately adjusted.

The effect of the error on the results of 2005/2006 is as follows:

	2005/06 R'000
<b>31 March 2005</b>	
<b>26.1.1 Vehicles – Gross carrying amount as at 31 March 2005</b>	
Balance previously reported:-	411,310
<b>Less:</b>	
Prior year sales not reversed against Gross carrying amount and accumulated depreciation as at 1 April 2005	(32,302)
Correction of accumulated impairment losses not appearing on the fixed asset register	(25,446)
Alignment of vehicles @ cost with fixed asset register (Extras not capitalised in FAR)	(563)
<b>Add:</b>	
Addition of vehicles delivered in 2005 and paid after year-end	416
Correction of an under provision of vehicles delivered before 31 March 2005 and paid after year-end	23
<b>Total</b> (Balance transferred to Note 27.2)	<b>353,438</b>
<b>26.1.2 Vehicles – Accumulated depreciation as at 31 March 2005</b>	
Balance previously reported:-	(236,429)
<b>Less:</b>	
Prior year sales not reversed against Gross carrying amount and accumulated depreciation as at 1 April 2005 (Also see note 26.1.1)	32,301
<b>Total</b> (Balance transferred to Note 27.2)	<b>(204,128)</b>
<b>26.1.3 Vehicles – Accumulated impairment losses as at 31 March 2005</b>	
Balance previously reported:-	(25,446)
<b>Less:</b>	
Correction of accumulated impairment losses not appearing on the fixed asset register (Also see note 26.1.1)	25,446
<b>Total</b> (Balance transferred to Note 27.2)	-



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 FOR THE YEAR ENDED 31 MARCH 2007

**26.1.4 Trade creditors as at 31 March 2005**

Balance previously reported:-	<b>(2,124)</b>
<b>Less:</b>	
Addition of vehicles delivered in 2005 and paid after year-end (Also see note 26.1.1)	(416)
Correction of an under provision of vehicles delivered before 31 March 2005 and paid after year-end (Also see note 26.1.1)	(23)
<b>Total</b>	<b><u>(2,563)</u></b>

**31 March 2006**

**26.1.5 Vehicles – Additions at cost**

Balance previously reported:-	<b>45,308</b>
<b>Less Reversal of creditor raised regarding:</b>	
Addition of vehicles delivered in 2005 and paid after year-end (Also see note 26.1.1)	(416)
Correction of an under provision of vehicles delivered before 31 March 2005 and paid after year-end (Also see note 26.1.1)	(23)
<b>Add:</b>	
Correction of an under provision of vehicles delivered before 31 March 2005 and paid after year-end	199
Correction of take-ins capitalised against purchases (carrying values were capitalised instead of cost price of these vehicles)	199
<b>Total</b>	<b><u>45,267</u></b>

**26.1.6 Trade creditors as at 31 March 2006**

Balance previously reported:-	<b>(5,001)</b>
<b>Less:</b>	
Correction of an under provision of vehicles delivered before 31 March 2005 and paid after year-end (Also see note 26.1.5)	(199)
<b>Total</b>	<b><u>(5,200)</u></b>

**26.2: Intangible asset – FleetMan system**

Correction of development costs of an internally generated intangible asset (FleetMan) in terms of IAS 38, previously incorrectly accounted for as operating expenses. The comparative figures have been appropriately adjusted.

The effect of the error on the results of 2005/2006 is as follows:

	<b>2005/06 R'000</b>
<b>31 March 2005</b>	
<b>26.2.1 Intangible asset –Gross carrying amount as at 31 March 2005</b>	
Balance previously reported:-	<u>–</u>

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<b>Add:</b>	Capitalisation of development costs incorrectly accounted for as operating expenses	2,686
<b>Total</b>		<b>2,686</b>
<b>26.2.2 Intangible asset - Accumulated amortisation 31 March 2005</b>		
	Balance previously reported:-	-
<b>Add:</b>	Accumulated amortization up to 31 March 2005	(135)
<b>Total (Balance transferred to Note 26.2.4)</b>		<b>(135)</b>
		<b>2005/06 R'000</b>
<b>31 March 2006</b>		
<b>26.2.3 Intangible asset -Gross carrying amount as at 31 March 2005</b>		
	Balance per note 26.2.1	2,686
<b>Add:</b>	Capitalisation of development costs incorrectly accounted for as operating expenses	1,818
<b>Total</b>		<b>4,504</b>
<b>26.2.4 Intangible asset - Accumulated amortisation 31 March 2005</b>		
	Balance per note 26.2.2	(135)
<b>Add:</b>	Amortization - 2006	(236)
<b>Total</b>		<b>(371)</b>
<b>26.3: Deferred Income</b>		
Vehicles donated to GMT, free of charge (also referred to as take-in vehicles) and also vehicles financed from grants have not been accounted for in accordance with the standard on government grants and government assistance (IAS 20). The comparative figures have been appropriately adjusted.		
The effect of the error on the results of 2005/2006 is as follows:		
		<b>2005/06 R'000</b>
<b>31 March 2006</b>		
<b>26.3.1 Deferred income</b>		
	Balance previously reported:-	-
<b>Add:</b>	Grants received	96,622
	Deferred income allocated to the Income Statement	19,728
		116,350
	Transferred to revenue	(23,862)
<b>Total</b>		<b>92,487</b>

CONTINUED **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**26.4 Funds and Reserves**

**Capital Fund**

The Capital Fund represented the take-on balances of Motor Vehicles, Property Plant and Equipment and Inventories, when these assets were first capitalised. The fund was since its inception updated with the movement of GMT assets. The fund however is not in line with GAAP principles and has now been unbundled so that the Annual Financial Statements can be fully aligned with GAAP.

The comparative figures have been appropriately adjusted.

	<b>2006 R'000</b>
<b>Capital Fund</b>	
Balance previously reported (as at 31 March 2006) :-	124,750
Opening balance (as at 1 April 2005)	149,074
Movement for the year	(24,324)
<b>Balance reversed against:</b>	
Accumulated Surplus/(deficit)	(107,217)
Replacement fund	93,478
Deferred Income	(116,349)
Claims recoverable	6,054
<b>Balance as at 30 June 2006</b>	<b>-</b>

**Replacement Fund**

The Replacement Fund represented funds available to GMT with which replacement vehicles could be funded. The fund comprised of transactions that was recorded to and from the Capital Fund. The fund however is not in line with GAAP principles and has now been unbundled so that the Annual Financial Statements can be fully aligned with GAAP.

The comparative figures have been appropriately adjusted.

	<b>2006 R'000</b>
<b>Replacement Fund</b>	
Balance previously reported:-	93,478
Opening balance	55,481
Movement for the year	37,997
<b>Balance reversed against:</b>	
Capital Fund	(93,478)
<b>Balance as at 30 June 2006</b>	<b>-</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**26.5 Trade payables**

Correction of a trade creditor incorrectly raised in the prior financial year.

<b>31 March 2006</b>	<b>2005/06 R'000</b>
<b>Trade Payables</b>	
Balance previously reported:-	5200
Less: Correction against plant and equipment – Additions at cost	(338)
<b>Total</b>	<b>4,862</b>
<b>Plant and equipment</b>	
Balance previously reported:-	
Additions at cost	1121
Less: correction	(338)
	<b>783</b>

**26.6 Plant and equipment**

Correction of depreciation on plant and equipment < R 5,000 not written off over 1 year as per accounting policy.

<b>31 March 2006</b>	<b>2005/06 R'000</b>
<b>Plant and equipment</b>	
Gross carrying amount	
Balance previously reported:-	1,388
Less: correction against accumulated surplus (Refer to note 26.6)	(1,193)
	<b>195</b>
<b>Plant and equipment</b>	
Accumulated depreciation	
Balance previously reported:-	<b>(612)</b>
Less: correction against accumulated surplus (Refer to note 26.6)	558
	<b>(54)</b>

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**26.7 Effect on accumulated surplus**

<b>Accumulated Surplus — 31 March 2005</b>	
Balance previously reported:-	<b>(29,880)</b>
<b>Intangible assets – FleetMan</b>	<b>1,551*</b>
Development cost of the FleetMan system up to 31 March 2005	2,686
Accumulated amortisation cost	(135)
<b>Plant and equipment</b>	
Correction of gross carrying amount as per note 26.5 above	(1,193)
Correction of accumulated depreciation as per note 26.5 above	558
<b>Vehicles</b>	
Correction of accumulated depreciation as at 31 March 2005	
Alignment of vehicles @ cost with fixed asset register (Extras not capitalised in FAR)	(365)
Correction of accumulated depreciation as at 31 March 2005	84,515
Correction of the Capital Fund	107,917*
<b>Total</b>	<b>164,103</b>

\*Total of two equals R109,468 – agrees to amount as per statement of changes in equity.

**27. CHANGE IN ACCOUNTING POLICY**

Management decided to change the method of depreciation of motor vehicles from the straight line method to the units of production method resulting in an annual depreciation charge based on the use or output of the motor vehicles. This method provides the best approximation of the consumption of economic benefits obtained in the asset. In terms of this method motor vehicles are initially recognised at cost and are depreciated annually based on daily tariffs recovered through the utilisation of the vehicle. The change in policy was accounted for retrospectively and comparative amounts have been appropriately restated.

The effect of the change is as follows:	
	<b>2005/06 R'000</b>
<b>31 March 2005</b>	
<b>27.1 Accumulated surplus - 31 March 2005</b>	
Balance (Refer to Note 26.5.1)	(28,329)
<b>Plus:</b>	
Increase due to the correction of accumulated depreciation as at 31 March 2005	84,515
<b>Total</b>	<b>56,186</b>

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**27.2 Property, plant and equipment – 31 March 2005**

Balance	149,310
Vehicles at cost (Refer to note 26.1.1)	353,438
Accumulated depreciation (Refer to note 26.1.2)	(204,128)
Accumulated impairment loss (Refer to note 26.1.3)	–
<b>Plus:</b>	
Increase due to the correction of accumulated depreciation as at 31 March 2005	84,515
<b>Total</b>	<b>223,825</b>
Vehicles at cost	353,438
Accumulated depreciation	(119,613)

**27.3 Equity – 31 March 2005**

Balance previously reported:-	174,675
<b>Plus:</b>	
Increase in the net carrying value of vehicles (See note 27.1 & 27.2)	84,515
Correction of error (Note 26.5.1)	1,551
Correction of error (Note 26.3.2)	
<b>Total</b>	<b>86,066</b>

**31 March 2006**

**27.4 Property, plant and equipment – 31 March 2006**

<b>• Depreciation</b>	
Balance previously reported:-	(63,277)
<b>Less:</b>	
Decrease in depreciation:	25,641
<b>Total</b>	<b>(37,636)</b>
<b>• Disposals at book value – Accumulated depreciation</b>	
Balance previously reported:-	16,023
<b>Less:</b>	
Decrease in accumulated depreciation:	(6,961)
<b>Total</b>	<b>9,062</b>
<b>• Damaged vehicles used for parts – Accumulated depreciation</b>	
Balance previously reported:-	1,395
<b>Less:</b>	
Decrease in accumulated depreciation:	(694)
<b>Total</b>	<b>701</b>

**CONTINUED** **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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• **Stolen and alienated – Accumulated depreciation**

Balance previously reported:- 6,292

**Less:**

Decrease in accumulated depreciation: (3,527)

**Total** 2,765

• **Non-current assets held for sale – Accumulated depreciation**

Balance previously reported:- 5,086

**Less:**

Decrease in accumulated depreciation: (2,403)

**Total** 2,683

• **Total movement:**

Decrease in depreciation for the year ended 31 March 2006 25,641

**Decrease in accumulated depreciation:**

Disposals at book value (6,961)

Damaged vehicles used for parts (694)

Stolen and alienated (3,527)

Non-Current assets held for sale (2,403)

12,056

**27.5 Non-current assets held for sale – 31 March 2006**

Balance previously reported:- 225

**Plus:**

Increase in the net carrying value of vehicles 2,403

**Total** 2,628

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