

### 13.3 Staff debt

	Note	2016/17	2015/16
	<u>13</u>	R'000	R'000
Salary overpayment		314	10
Employee and ex-employees		3 231	2 945
Shortages		9	9
Communication		1	-
Subsistence and travel		16	60
Losses and damages		225	-
Telephone		-	1
Income tax		25	1
Breach of contract		81	91
Government Garage debt		9	5
<b>Total</b>		<b>3 911</b>	<b>3 122</b>

### 13.4 Other debtors

	Note	2016/17	2015/16
	<u>13</u>	R'000	R'000
Losses and damages non-employees		306	426
Dishonoured cheques		272	317
E-Natis Debt		-	-
Suppliers		110	105
<b>Total</b>		<b>688</b>	<b>848</b>

### 13.5 Fruitless and Wasteful Expenditure

	Note	2016/17	2015/16
		R'000	R'000
Less amounts recovered		(151)	-
Transfers from note 32 Fruitless and wasteful expenditure		152	-
<b>Total</b>		<b>1</b>	<b>-</b>

### 13.6 Impairment of receivables

	Note	2016/17	2015/16
	<u>13</u>	R'000	R'000
Estimate of impairment of receivables		2 390	1 972
<b>Total</b>		<b>2 390</b>	<b>1 972</b>

Impairment for receivables is an estimate of all outstanding debts older than three years.

## 14. Voted funds to be surrendered to the Revenue Fund

	Note	2016/17 R'000	2015/16 R'000
Opening balance		710	27 001
Prior period error			-
As restated		710	27 001
Transfer from statement of financial performance (as restated)		(8 161)	(12 211)
Add: Unauthorised expenditure for current year	10	8 776	12 921
Paid during the year		(710)	(27 001)
<b>Closing balance</b>		<b>615</b>	<b>710</b>

## 15. Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund

	Note	2016/17 R'000	2015/16 R'000
Opening balance		46 178	6 340
Prior period error			-
As restated		46 178	6 340
Transfer from Statement of Financial Performance (as restated)		628 920	577 109
Own revenue included in appropriation	2	88 290	47 535
Paid during the year		(727 960)	(584 806)
<b>Closing balance</b>		<b>35 428</b>	<b>46 178</b>

## 16. Payables – current

	Note	2016/17 R'000	2015/16 R'000
Advances received	16.1	-	1
Other payables	16.2	3 624	3 145
<b>Total</b>		<b>3 624</b>	<b>3 146</b>

### 16.1 Advances received

	Note	2016/17 R'000	2015/16 R'000
Provincial departments	16	-	1
<b>Total</b>	Annex 7	<b>-</b>	<b>1</b>

### 16.2 Other payables

	Note	2016/17 R'000	2015/16 R'000
E Natis Transaction Fees	16	3 624	3 145
<b>Total</b>		<b>3 624</b>	<b>3 145</b>

## 17. Net cash flow available from operating activities

	Note	2016/17 R'000	2015/16 R'000
Net surplus/(deficit) as per Statement of Financial Performance		620 759	564 898
Add back non cash/cash movements not deemed operating activities		45 915	133 171
(Increase)/decrease in receivables – current		(5 996)	8 945
(Increase)/decrease in prepayments and advance		(22)	-
(Increase)/decrease in other current assets		28 142	25
Increase/(decrease) in payables – current		478	(346)
Expenditure on capital assets		663 693	688 819
Surrenders to Revenue Fund		(728 670)	(611 807)
Own revenue included in appropriation		88 290	47 535
<b>Net cash flow generated by operating activities</b>		<b>666 674</b>	<b>698 069</b>

## 18. Reconciliation of cash and cash equivalents for cash flow purposes

	Note	2016/17 R'000	2015/16 R'000
Consolidated Paymaster General account		8 358	4 932
Cash receipts		(7)	(49)
Disbursements		(46)	55
Cash on hand		58	48
<b>Total</b>		<b>8 363</b>	<b>4 986</b>

## 19. Contingent liabilities and contingent assets

### 19.1 Contingent liabilities

	<i>Note</i>	<b>2016/17</b>	<b>2015/16</b>
		<b>R'000</b>	<b>R'000</b>
<b>Liable to Nature</b>			
Claims against the department	<u>Annex 2</u>	233 226	226 782
Environmental rehabilitation liability	<u>Annex 2</u>	5 177 744	4 461 079
<b>Total</b>		<b>5 410 970</b>	<b>4 687 861</b>

The comparative amount for claims against the state has been restated to improve the fair presentation of the AFS

The Environmental Rehabilitation Liability relates to the rehabilitation of the quarries. The Department performed a new assessment in 2016/17 to better reflect the Liability.

### 19.2 Contingent assets

	<i>Note</i>	<b>2016/17</b>	<b>2015/16</b>
		<b>R'000</b>	<b>R'000</b>
<b>Nature of contingent asset</b>			
Dombo Du Plessis		35 038	35 038
Potential recovery of lost face-value documents		405	315
<b>Total</b>		<b>35 443</b>	<b>35 353</b>

All contingent assets have been disclosed. The comparative year has been restated to reflect additional potential recovery of lost face value documents that were not returned.

## 20. Commitments

	<i>Note</i>	<b>2016/17</b>	<b>2015/16</b>
		<b>R'000</b>	<b>R'000</b>
<b>Current expenditure</b>			
Approved and contracted		327 626	42 326
Approved but not yet contracted		-	2 930
		<b>327 626</b>	<b>45 256</b>
<b>Capital expenditure</b>			
Approved and contracted		485 336	47 154
Approved but not yet contracted		-	6 808
		<b>485 336</b>	<b>53 962</b>
<b>Total Commitments</b>		<b>812 962</b>	<b>99 218</b>

Commitments longer than one year R370 million

The Departments commitments are represented by future projects that are planned for and budgeted for over the MTEF period. Most projects run over a three year period and are budgeted for accordingly.



## 21. Accruals and payables not recognised

### 21.1 Accruals

			2016/17 R'000	2015/16 R'000
Listed by economic classification				
	30 Days	30+ Days	Total	Total
Goods and services	13 373	8 983	22 356	25 280
Interest and rent on land	-	-	-	-
Transfers and subsidies	905	105	1 010	190
Capital assets	52 507	-	52 507	42 801
Other	273	-	273	4
Total	67 058	9 088	76 146	68 275

	Note	2016/17 R'000	2015/16 R'000
Listed by programme level			
Administration		5 388	5 720
Provincial Secretariat and Police Service		83	-
Transport Operation		9 919	7 798
Transport Regulation		722	3 891
Transport Infrastructure		60 034	50 866
Total		76 146	68 275

Included in accruals is retention payments that are due on projects. The Retention period varies from six to twenty-four months. The extent of accruals may impact on the department's ability to meet its financial obligations as they fall due and achievement of service delivery as outlined in the annual performance plan, as the accruals decreases the budget available for spending in the next financial year.

## 21.2 Payables not recognised

			2016/17 R'000	2015/16 R'000
Listed by economic classification				
	30 Days	30+ Days	Total	Total
Goods and services	16 080	34 525	50 605	5 278
Interest and rent on land	-	-	-	-
Transfers and subsidies	-	28	28	19 654
Capital assets	61	19	80	8 382
Other	12	-	12	
Total	16 153	34 572	50 725	33 314
	Note		2016/17 R'000	2015/16 R'000
Listed by programme level				
Administration			9 222	1 799
Provincial Secretariat and Police Service			271	-
Transport Operation			1 679	19 630
Transport Regulation			15 129	2 963
Transport Infrastructure			24 424	8 922
Total			50 725	33 314

The extent of payables not recognised may impact on the department's ability to meet its financial obligations as they fall due and achievement of service delivery as outlined in the annual performance plan, as payables not recognised decreases the budget available for spending in the next financial year.

### *Included in the above totals are the following:*

Confirmed balances with other departments	<i>Annex 4</i>	3 814	1 060
Confirmed balances with other government entities	<i>Annex 4</i>	39 045	-
<b>Total</b>		<b>42 859</b>	<b>1 060</b>

## 22. Employee benefits

	<i>Note</i>	2016/17 R'000	2015/16 R'000
Leave entitlement		39 165	26 364
Service bonus (Thirteenth cheque)		20 122	16 326
Performance awards		10 296	2 883
Capped leave commitments		38 375	39 436
Other		1 400	1 638
<b>Total</b>		<b>109 358</b>	<b>86 647</b>

Negative leave credits to the amount of R328 000 are excluded from the above

## 23. Lease commitments

### 23.1 Operating leases expenditure

2016/17	Land	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	-	-	46 468	46 468
Later than 1 year and not later than 5 years	-	-	69 116	69 116
Later than 5 years	-	-	924	924
<b>Total lease commitments</b>	-	-	<b>116 508</b>	<b>116 508</b>

	Land	Buildings and other fixed structures	Machinery and equipment	Total
<b>2015/16</b>				
Not later than 1 year	-	-	31 308	31 308
Later than 1 year and not later than 5 years	-	-	33 290	33 290
<b>Total lease commitments</b>	-	-	<b>64 598</b>	<b>64 598</b>

The Department has entered into a service level agreement (lease agreement) with the Free State Government Motor Transport for the provision of vehicles. The leases are treated as operating leases.

There are currently no sale and lease back arrangements.  
 There are no sub-leased assets by the Department.

### 23.2 Finance leases expenditure

	Land	Buildings and other fixed structures	Machinery and equipment	Total
<b>2016/17</b>				
Not later than 1 year	-	-	4 989	4 989
Later than 1 year and not later than 5 years	-	-	3 708	3 708
<b>Total lease commitments</b>	-	-	<b>8 697</b>	<b>8 697</b>

	Land	Buildings and other fixed structures	Machinery and equipment	Total
<b>2015/16</b>				
Not later than 1 year	-	-	3 362	3 362
Later than 1 year and not later than 5 years	-	-	5 049	5 049
<b>Total lease commitments</b>	-	-	<b>8 411</b>	<b>8 411</b>

The primary lease arrangements consist of fax and photocopier machines as well as voice/data contracts.

The Department rents 157 photocopiers over a lease term of 36 months.

The Department rents 83 data contracts over a lease term of 24 months and 196 voice contracts varying according to the contract terms.

There are no sub-leased assets by the Department.

The Department does not have any renewal or purchase options.

There are no escalation clauses in the lease agreement and the fees are standard for the term of the agreement.

There is no material restrictions imposed on the Department for any of the lease agreements.

No sale and leaseback agreements.

## 24. Accrued departmental revenue

	<i>Note</i>	<b>2016/17</b>	<b>2015/16</b>
		<b>R'000</b>	<b>R'000</b>
Tax revenue		1 005	1 257
Fines, penalties and forfeits		217 998	158 692
<b>Total</b>		<b>219 003</b>	<b>159 949</b>

### 24.1 Analysis of accrued departmental revenue

	<i>Note</i>	<b>2016/17</b>	<b>2015/16</b>
		<b>R'000</b>	<b>R'000</b>
Opening balance		159 949	114 506
Less: amounts received		3 681	4 610
Add: amounts recognised		64 094	51 694
Less: amounts written-off/reversed as irrecoverable		1 359	1 641
<b>Closing balance</b>		<b>219 003</b>	<b>159 949</b>

### 24.2 Accrued department revenue written off

	<i>Note</i>	<b>2016/17</b>	<b>2015/16</b>
		<b>R'000</b>	<b>R'000</b>
<b>Nature of losses</b>			
Write-down of court settlements		1 359	1 641
<b>Total</b>		<b>1 359</b>	<b>1 641</b>

### 24.3 Impairment of accrued departmental revenue

	<i>Note</i>	<b>2016/17</b>	<b>2015/16</b>
		<b>R'000</b>	<b>R'000</b>
Estimate of impairment of accrued departmental revenue		184 083	134 212
<b>Total</b>		<b>184 083</b>	<b>134 212</b>

The impairment amount is estimated as all the fines outstanding for longer than six months.

## 25. Irregular expenditure

### 25.1 Reconciliation of irregular expenditure

	Note	2016/17 R'000	2015/16 R'000
Opening balance		1 490	33 673
Prior period error		-	73
As restated		1 490	33 746
Add: Irregular expenditure – relating to prior year		4 940	-
Add: Irregular expenditure – relating to current year		12 885	1 417
Less: Amounts not condoned and not recoverable		(4 940)	(33 673)
<b>Irregular expenditure awaiting condonation</b>		<b>14 375</b>	<b>1 490</b>

#### Analysis of awaiting condonation per age classification

Current year	12 885	1 417
Prior years	1 490	73
<b>Total</b>	<b>14 375</b>	<b>1 490</b>

### 25.2 Details of irregular expenditure – added current year (relating to current and prior years)

Incident	Disciplinary steps taken/ criminal proceedings	2016/17 R'000
Three quotations not obtained		3 314
Incorrect supplier awarded quotation		833
Deviation attached not valid		57
Did not make use of PPPFA		607
Supplier on Treasury list of prohibited suppliers		24
No approved supplier was used		105
SITA approval not obtained		12 885
<b>Total</b>		<b>17 825</b>

### 25.3 Details of irregular expenditure – not recoverable (not condoned)

Incident	Not condoned by condoning authority	2016/17 R'000
Three quotations not obtained		3 314
Incorrect supplier awarded quotation		833
Deviation attached not valid		57
Did not make use of PPPFA		607
Supplier on Treasury list of prohibited suppliers		24
		105
<b>Total</b>		<b>4 940</b>

### 25.4 Details of irregular expenditures under investigation (not included in the main note)

Incident	2016/17 R'000
Expenditure under investigation for 2011/2012	106
Expenditure under investigation for 2012/2013	305
Expenditure under investigation for 2013/2014	489
Expenditure under investigation for 2014/2015	-
Expenditure under investigation for 2015/2016	306
Expenditure under investigation for 2016/2017	358
<b>Total</b>	<b>1 564</b>

### 25.5 Prior period error

	2015/16 R'000
<b>Nature of prior period error</b>	
Nature of prior period error	73
Increase in Irregular current yea 2014/15: Amount awaiting condonation corrected after investigation	73
Nature of prior period error	195
Increase in Irregular current yea 2015/16: Amount awaiting condonation corrected after investigation	195
Total prior period errors	268

## 26. Fruitless and wasteful expenditure

### 26.1 Reconciliation of fruitless and wasteful expenditure

	Note	2016/17 R'000	2015/16 R'000
Opening balance		105	956
Prior period error		-	-
As restated		105	956
Fruitless and wasteful expenditure – relating to prior year		221	-
Fruitless and wasteful expenditure – relating to current year		47	733
Less: Amounts resolved		(221)	(1 584)
Less: Amounts transferred to receivables for recovery	13.5	(152)	-
<b>Closing balance</b>		<b>-</b>	<b>105</b>

### 26.2 Analysis of awaiting resolution per economic classification

	2016/17 R'000	2015/16 R'000
Current	-	105
<b>Total</b>	<b>-</b>	<b>105</b>

### 26.3 Analysis of Current year's fruitless and wasteful expenditure

Incident	Disciplinary steps taken/criminal proceedings	2016/17 R'000
High Court – Terra Graphics	None	47
<b>Total</b>		<b>47</b>

### 26.4 Prior period error

	2015/16 R'000
Nature of prior period error relating to 2015/2016	
Decrease in Fruitless and Wasteful expenditure identified in the current year	(88)
<b>Total</b>	<b>(88)</b>

On completion of the investigation on prior year Fruitless and wasteful expenditure relating to overpayment on invoices, it was determined that the amount needs to decrease as it was incorrectly calculated.

**26.5 Details of fruitless and wasteful expenditures under investigation  
 (not included in the main note)**

<b>Incident</b>	<b>2016/17 R'000</b>
Overpayment on 3 <sup>rd</sup> party invoices	442
Supplier not register for VAT	340
<b>Total</b>	<b>782</b>

**27. Related party transactions**

	<i>Note</i>	<b>2016/17 R'000</b>	<b>2015/16 R'000</b>
<b>Year end balances arising from revenue/payments</b>			
Receivables from related parties		3 800	3 800
Payables to related parties		3 400	3 400
<b>Total</b>		<b>7 200</b>	<b>7 200</b>

	<b>2016/2017 R'000</b>
<b>In kind goods and services provided/received</b>	
Truck Hino	942
Road block trailers x 6	629
Mobile Test Law Enforcement - Test Centre x 2	6 270
Truck Tractor (Branded) x 2	1 710
Venter Trailer Super 6 - Mobile Weighbridge x 2	559
Toyota Aygo x 2	300
Toyota Corolla Quest 1,6	183
Ford Rangers x 40 were received by Fleet management	(9 107)
<b>Total</b>	<b>1 486</b>

The Department has a related party relationship with Free State Fleet Management as they both fall under the MEC. The related party amount has been restated to remove transactions that were with the normal course of business

**28. Key management personnel**

	<b>No. of Individuals</b>	<b>2016/17 R'000</b>	<b>2015/16 R'000</b>
Political office bearers	1	1 556	1 902
<u>Officials:</u>			
Level 15 to 16	1	2 136	2 053
Level 14 (incl. CFO if at a lower level)	7	8 216	6 328
<b>Total</b>		<b>11 908</b>	<b>10 283</b>



## 29. Public Private Partnership

	Note	2016/17 R'000	2015/16 R'000
<b>Unitary fee paid</b>		-	<b>1 615</b>
Fixed component		-	1 615

The Department has not formulated an entity to administer the PPP Harrismith Logistic Hub project; therefore no global contract has been entered into. The project is at the implementing stage therefore expenditure incurred is for the feasibility studies.

## 30. Movable Tangible Capital Assets

### MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2017

	Opening balance R'000	Value adjustments R'000	Additions R'000	Disposals R'000	Closing Balance R'000
<b>MACHINERY AND EQUIPMENT</b>	45 167	-	33 376	25 463	53 080
Transport assets	7 568	-	19 701	25 102	2 167
Computer equipment	11 636	-	9 867	361	21 142
Furniture and office equipment	6 395	-	1 248	-	7 643
Other machinery and equipment	19 568	-	2 560	-	22 128
<b>TOTAL MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>45 167</b>	<b>-</b>	<b>33 376</b>	<b>25 463</b>	<b>53 080</b>

### 30.1 Additions

#### ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2017

	Cash	Non-cash	(Capital Work in Progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>17 092</b>	<b>19 841</b>	<b>(3 557)</b>	<b>-</b>	<b>33 376</b>
Transport assets	-	19 701	-	-	19 701
Computer equipment	9 867	-	-	-	9 867
Furniture and office equipment	1 108	140	-	-	1 248
Other machinery and equipment	6 117	-	(3 557)	-	2 560
<b>TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>17 092</b>	<b>19 841</b>	<b>(3 557)</b>	<b>-</b>	<b>33 376</b>

### 30.2 Disposals

#### DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2017

	Sold for cash	Non-cash disposal	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>-</b>	<b>25 463</b>	<b>25 463</b>	<b>-</b>
Transport assets	-	25 102	25 102	-
Computer equipment	-	361	361	-
Furniture and office equipment	-	-	-	-
Other machinery and equipment	-	-	-	-
<b>TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>-</b>	<b>25 463</b>	<b>25 463</b>	<b>-</b>

### 30.3 Movement for 2015/16

**MOVEMENT IN TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2017**

	Opening balance R'000	Prior period error R'000	Additions R'000	Disposals R'000	Closing Balance R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>41 702</b>	<b>-</b>	<b>4 515</b>	<b>1 050</b>	<b>45 167</b>
Transport assets	5 968	-	2 290	690	7 568
Computer equipment	11 872	-	124	360	11 636
Furniture and office equipment	5 469	-	926	-	6 395
Other machinery and equipment	18 393	-	1 175	-	19 568
<b>TOTAL MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>41 702</b>	<b>-</b>	<b>4 515</b>	<b>1 050</b>	<b>45 167</b>

**30.3.1 Prior period error**

2015/16  
R'000

**Nature of prior period error**

Relating to 2015/16

(1 050)

Decrease in disposals for other machinery and equipment

17

Increase in disposals for computer equipment

(17)

Decrease in Additions for other machinery and equipment

(1 050)

**Total**

**(1 050)**

Restatement took place to align the cash additions with the BAS expenditure that took place.

**30.4 MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2017**

	Heritage assets R'000	Machinery and equipment R'000	Biological assets R'000	Total R'000
Opening balance	40	20 142	-	20 182
Value adjustments	-	-	-	-
Additions	-	1 221	-	1 221
Disposals	-	-	-	-
<b>TOTAL MINOR ASSETS</b>	<b>40</b>	<b>21 363</b>	<b>-</b>	<b>21 403</b>

	Heritage assets	Machinery and equipment	Biological assets	Total
Number of R1 minor assets	4	4 908	-	4 912
Number of minor assets at cost	46	24 708	-	24 754
<b>TOTAL NUMBER OF MINOR ASSETS</b>	<b>50</b>	<b>29 616</b>	<b>-</b>	<b>29 666</b>

Included in the above total of the minor assets per the asset register are assets that are under investigation:

	Number	Value R'000
Heritage assets	12	8
Machinery and equipment	8 855	4 155

Minor asset under investigation consists of items not verified and items with valuation challenges.

**MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2016**

	Heritage assets R'000	Machinery and equipment R'000	Biological assets R'000	Total R'000
Opening balance	40	19 292	-	19 332
Prior period error	-	-	-	-
Additions	-	1 137	-	1 137
Disposals	-	287	-	287
<b>TOTAL MINOR ASSETS</b>	<b>40</b>	<b>20 142</b>	<b>-</b>	<b>20 182</b>
	Heritage assets	Machinery and equipment	Biological assets	Total
Number of R1 minor assets	4	4 908	-	4 912
Number of minor assets at cost	46	23 969	-	24 015
<b>TOTAL NUMBER OF MINOR ASSETS</b>	<b>50</b>	<b>28 877</b>	<b>-</b>	<b>28 927</b>

### 30.4.1 Prior period error

2015/16  
R'000

#### Nature of prior period error

Relating to 2015/16

Decrease number of assets at R1 by 254

Increase number of assets at cost by 23 258

#### Total

-
-
-
-

The comparative number of assets has been corrected to reflect the number of assets in the asset register.

## 31. Intangible Capital Assets

### MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2017

	Opening balance R'000	Additions R'000	Disposals R'000	Closing Balance R'000
SOFTWARE	28	1 094	-	1 122
<b>TOTAL INTANGIBLE CAPITAL ASSETS</b>	<b>28</b>	<b>1 094</b>	<b>-</b>	<b>1 122</b>

### 31.1 Additions

### ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2017

	Cash R'000	(Capital Work in Progress current costs and finance lease payments) R'000	Received current, not paid (Paid current year, received prior year) R'000	Total R'000
SOFTWARE	1 292	(198)	-	1 094
<b>TOTAL ADDITIONS TO INTANGIBLE</b>	<b>1 292</b>	<b>(198)</b>	<b>-</b>	<b>1 094</b>

### 31.2 Movement for 2015/16

#### MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016

	Opening balance R'000	Additions R'000	Disposals R'000	Closing Balance R'000
SOFTWARE	28	-	-	28
<b>TOTAL INTANGIBLE CAPITAL ASSETS</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>28</b>

## 32. Immovable Tangible Capital Assets

#### MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2017

	Opening balance R'000	Additions R'000	Disposals R'000	Closing Balance R'000
<b>BUILDINGS AND OTHER FIXED STRUCTURES</b>	<b>40 170 626</b>	<b>866 565</b>	<b>15 329</b>	<b>41 021 862</b>
Non-residential buildings	11 048	7 758	15 329	3 477
Other fixed structures	40 159 578	858 807	-	41 018 385
<b>LAND AND SUBSOIL ASSETS</b>	<b>23 402</b>	<b>42</b>	<b>-</b>	<b>23 444</b>
Mineral and similar non-regenerative resources	23 402	42	-	23 444
<b>Capital work in progress (Effective 1 April 2016)</b>	<b>473 487</b>	<b>645 171</b>	<b>866 565</b>	<b>252 093</b>
<b>TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>40 667 515</b>	<b>1 511 778</b>	<b>881 894</b>	<b>41 297 399</b>

### 32.1 Additions

#### ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2017

	Cash	Non-cash	(Capital Work in Progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
<b>BUILDING AND OTHER FIXED STRUCTURES</b>	<b>645 171</b>	<b>866 565</b>	<b>(645 171)</b>	<b>-</b>	<b>866 565</b>
Non-residential buildings	14 385	7 758	(14 385)	-	7 758
Other fixed structures	630 786	858 807	(630 786)	-	858 807
<b>LAND AND SUBSOIL ASSETS</b>	<b>138</b>	<b>-</b>	<b>-</b>	<b>(96)</b>	<b>42</b>
Mineral and similar non-regenerative resources	138	-	-	(96)	42
<b>TOTAL ADDITIONS TO IMMOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>645 309</b>	<b>866 565</b>	<b>(645 171)</b>	<b>(96)</b>	<b>866 607</b>

### 32.2 Disposals

#### DISPOSALS OF IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2017

	Sold for cash	Non-cash disposal	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
<b>BUILDING AND OTHER FIXED STRUCTURES</b>	<b>-</b>	<b>15 329</b>	<b>15 329</b>	<b>-</b>
Non-residential buildings	-	15 329	15 329	-
Other fixed structures	-	-	-	-
<b>LAND AND SUBSOIL ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mineral and similar non-regenerative resources	-	-	-	-
<b>TOTAL DISPOSALS OF IMMOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>-</b>	<b>15 329</b>	<b>15 329</b>	<b>-</b>

### 32.3 Movement for 2015/16

#### MOVEMENT IN IMMOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016

	Opening balance	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000
<b>BUILDINGS AND OTHER FIXED STRUCTURES</b>	<b>39 203 639</b>	<b>966 987</b>	<b>-</b>	<b>40 170 626</b>
Non-residential buildings	-	11 048	-	11 048
Other fixed structures	39 203 639	955 939	-	40 159 578
<b>LAND AND SUBSOIL ASSETS</b>	<b>23 363</b>	<b>46</b>	<b>7</b>	<b>23 402</b>
Mineral and similar non-regenerative resources	23 363	46	7	23 402
Capital Work-In-Progress	756 139	684 335	966 987	473 487
<b>TOTAL IMMOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>39 983 141</b>	<b>1 651 368</b>	<b>966 994</b>	<b>40 667 515</b>

#### 32.3.1 Prior period error

2015/16  
R'000

##### Nature of prior period error

Relating to 2015/16	11 048
Increase Additions for upgrades for testing stations that was completed and not transferred to Public Works	11 048
Total prior period errors	11 048

Upgrades on property reached final completion in 2015/2016 but was not recognised as such.



### 32.4 S42 Immovable assets

#### ASSETS SUBJECT TO TRANSFER IN TERMS OF S42 of the PFMA-2016/17

	No of ASSETS	Value of assets R'000
<b>BUILDINGS AND OTHER FIXED STRUCTURES</b>	<b>1</b>	<b>2 987</b>
Non-residential buildings	1	2 987
Other fixed structures	-	-
<b>Total:</b>	<b>1</b>	<b>2 987</b>

#### ASSETS SUBJECT TO TRANSFER IN TERMS OF S42 of the PFMA-2015/16

	No of ASSETS	Value of assets R'000
<b>BUILDINGS AND OTHER FIXED STRUCTURES</b>	<b>6</b>	<b>11 048</b>
Non-residential buildings	6	11 048
Other fixed structures	-	-
<b>Total:</b>	<b>6</b>	<b>11 048</b>

The comparative has been restated for the improvements to property facilities that were not transferred by 31 March 2016

### 32.5 IMMOVABLE ASSETS ADDITIONAL INFORMATION

		2016/17	2015/16
	<i>Note</i>		
<b>a) Facilities on right to use land</b>	<b>Duration of use</b>	<b>Number</b>	<b>Number</b>
Other	<u>Annexure 8</u> Tertiary roads per kms	17 258	17 255

The comparative amount of tertiary roads in kilometres has been restated to reflect the actual kilometres.

### 33. Principal-agent arrangements

#### 33.1 Department acting as the principal

	2016/17	Fee paid 2015/16
	R'000	R'000
South African Post Office (SAPO)	18 724	15 443
<b>Total</b>	<b>18 724</b>	<b>15 443</b>

The South African Post Office collects vehicle licencing fees on behalf of the Department.

SAPO retains an administration fee of 11.4%.

The department of Justice collect traffic fines on behalf of the Department at the courts and this money is paid over to the department. There is no fee by the Department of Justice for this collection.

#### 33.2 Department acting as the agent

##### 33.2.1 Revenue received for agency activities

	2016/17	2015/16
	R'000	R'000
AARTO	105	141
<b>Total</b>	<b>105</b>	<b>141</b>

The Department collects money for the renewal of motor vehicle license on behalf of RTMC.

The Department pays R42 over to RTMC for every motor vehicle license renewed. The department does not received any revenue from RTMC for this transaction.

The Department collects the money for the making of the motor vehicle license on behalf of Prodiba. The Department pays over R97 to Prodiba for every license made.

The Department does not receive any revenue from Prodiba for this transaction.

The Department collects traffic fines that were issued outside the Free State borders on behalf of AARTO. The Department pays over 97% of the fines collected to AARTO and retains 3%.

##### 33.2.2 Reconciliation of funds and disbursements – 2016/17

Category of revenue or expenditure per arrangement	Total funds received	Expenditure incurred against funds
	R'000	R'000
RTMC	23 120	-
PRODIBA	8 235	-
AARTO	3 421	-
<b>Total</b>	<b>34 776</b>	<b>-</b>

### 33.2.3 Reconciliation of carrying amount of receivables and payables – 2016/17

#### Receivables

Name of principal entity	Opening balance	Revenue principal is entitled to	Less: Write-offs/ settlements/ waivers	Cash received on behalf of principal	Closing Balance
	R'000	R'000	R'000	R'000	R'000
RTMC	1 882	23 120	-	22 689	2 313
PRODIBA	937	8 235	-	8 099	1 073
AARTO	325	3 421	-	3 507	239
<b>Total</b>	<b>3 144</b>	<b>34 776</b>	<b>-</b>	<b>34 295</b>	<b>3 625</b>

## 34. Prior period errors

### 34.1 Correction of prior period errors

	Note	2016/17 R'000
<b>Revenue: (E.g. Annual appropriation, Departmental revenue, Aid assistance, etc.)</b>		
Decrease in Administrative fees received	2.1	(37)
Decrease in Other sales received	2.1	(10 989)
Increase in Fines received	2.2	9 411
Increase in Penalties received	2.2	55
Increase in Interest received	2.3	1 205
Decrease in Receivables received	2.4	(26)
Increase in Other receipts received	2.4	381
Increase in Accrued departmental revenue for the prior year fines identified	24	17
<b>Net effect</b>		<b>17</b>
<b>Expenditure: (E.g. Compensation of employees, Goods and services, Tangible capital assets, etc.)</b>		
Re-classification in Goods & Services - Increase in Advertising	5	16
Re-classification in Goods & Services - Increase in Contractors	5	2 867
Re-classification in Goods & Services - Between Inventory & Consumables	5.4 & 5.5	-
Increase in Inventory Clothing material and accessories		828
Increase in Inventory Material and supplies		28 817
Increase in Inventory - Other supplies – other		743
Decrease in Consumables Clothing material and accessories		(828)
Decrease in Consumables Building and material supplies		(31 551)
Decrease in Consumables Other consumables		(134)
Decrease in Consumables Printing, stationary and office supplies		(758)
<b>Net effect</b>		<b>-</b>

<b>Assets: (E.g. Receivables, Investments, Accrued departmental revenue, Movable tangible capital assets, etc.)</b>	<b>Note</b>	<b>2016/17 R'000</b>
Decrease in disposals for other machinery and equipment	<u>30.3.1</u>	17
Increase in disposals for computer equipment	<u>30.3.1</u>	(17)
Decrease in Additions for other machinery and equipment	<u>30.3.1</u>	(1 050)
The number of minor assets disclosed, no rand amount impact	<u>30.4.1</u>	-
Increase in Immovable assets additions for 2015/2016	<u>32.3.1</u>	11 048
The comparative amount of tertiary roads in kilometre has been restated to reflect the actual kilometre	<u>32.5</u>	-
Increase in Contingent Assets – Potential recovery of face value documents	<u>19.2</u>	150
<b>Net effect</b>		<b>10 148</b>
<b>Liabilities: (E.g. Payables current, Voted funds to be surrendered, Commitments, Provisions, etc.)</b>		
Increase in Contingent liabilities - Claims against the department	<u>19.1</u>	6 349
<b>Net effect</b>		<b>6 349</b>
<b>Other (e.g. Irregular expenditure, fruitless and wasteful expenditure etc.)</b>		
Increase in Irregular expenditure	<u>25.5</u>	268
Decrease in Fruitless and Wasteful expenditure	<u>26.4</u>	(88)
<b>Net effect</b>		<b>180</b>

### 35. Statement of Conditional Grants Received

NAME OF DEPARTMENT	GRANT ALLOCATION				SPENT			2015/16	
	Division of Revenue Act/ Provincial Grants	Roll Overs	Total Available	Amount received by department	Amount spent by department	Under / (Over spending)	% of available funds spent by department	Division of Revenue Act	Amount spent by department
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Public Transport Operating Grant	241 257	-	241 257	241 257	241 217	40	100%	220 669	218 459
Provincial Roads Maintenance Grant	1 258 030	1 582	1 259 612	1 259 612	1 259 408	204	100%	1 142 796	1 140 418
EPWP Integrated Grant to Province	5 366	-	5 366	5 366	5 365	1	100%	3 130	3 130
	<b>1 504 653</b>	<b>1 582</b>	<b>1 506 235</b>	<b>1 506 235</b>	<b>1 505 990</b>	<b>245</b>		<b>1 366 595</b>	<b>1 362 007</b>

The comparative has been restated to remove the earmarked funding as this is not seen as a conditional grant

## ANNEXURE 1A

### STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

DEPARTMENT/ AGENCY/ ACCOUNT	TRANSFER ALLOCATION				TRANSFER		2015/16 Appropriation Act
	Adjusted Appropriation	Roll Overs	Adjust-ments	Total Available	Actual Transfer	% of Available funds Transferred	
	R'000	R'000	R'000	R'000	R'000	%	R'000
Free State Fleet Management	9 426	-	-	9 426	9 108	97%	-
Free State Taxi Council	5 000	-	-	5 000	5 000	100%	5 000
<b>TOTAL</b>	<b>14 426</b>	<b>-</b>	<b>-</b>	<b>14 426</b>	<b>14 108</b>	<b>-</b>	<b>5 000</b>

*Unaudited supplementary information*

## ANNEXURE 1B

### STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES

NAME OF PUBLIC CORPORATION/ PRIVATE ENTERPRISE	TRANSFER ALLOCATION				EXPENDITURE				2015/16 Appropriation Act
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Capital	Current	
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
<b>Public Corporations</b>									
Transfers	-	-	-	-	-	-	-	-	-
Subsidies	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	-	-	-	-	-	-	-	-	-
<b>Private Enterprises</b>									
Transfers	-	-	-	-	-	-	-	-	-
Subsidies	241 257	-	-	241 257	241 217	100%	-	-	220 669
Itumele Bus Lines t/a Interstate Bus lines (IBL)	199 919	-	-	199 919	199 050	99.6%	-	-	182 866
Scopeful 21 (Pty) LTD t/a Maluti Bus Services	41 338	-	-	41 338	42 167	102.0%	-	-	37 803
<b>Subtotal</b>	241 257	-	-	241 257	241 217	100%	-	-	220 669
<b>TOTAL</b>	241 257	-	-	241 257	241 217	100%	-	-	220 669

Unaudited supplementary information

## ANNEXURE 1C

### STATEMENT OF TRANSFERS TO HOUSEHOLDS

HOUSEHOLDS	TRANSFER ALLOCATION				EXPENDITURE		2015/16
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	
	R'000	R'000	R'000	R'000	R'000	%	
<b>Transfers</b>							
Injury on Duty	281	-	-	281	54	19%	45
Leave Gratuity	5 513	-	-	5 513	5 533	100%	5 402
Claims against the state	2 765	-	-	2 765	3 037	110%	2 093
<b>Subsidies</b>	<b>8 559</b>	<b>-</b>	<b>-</b>	<b>8 559</b>	<b>8 624</b>	<b>-</b>	<b>7 540</b>
<b>TOTAL</b>	<b>8 559</b>	<b>-</b>	<b>-</b>	<b>8 559</b>	<b>8 624</b>	<b>-</b>	<b>7 540</b>

*Unaudited supplementary information*



## ANNEXURE 1D

### STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED

NAME OF ORGANISATION		NATURE OF GIFT, DONATION OR SPONSORSHIP	2016/17	2015/16
			R'000	R'000
Received in cash				
Interstate Bus lines		Donations - Cash	-	40
Subtotal			-	40
Received in kind				
Caswell Mthombeni Cons.		Truck Hino	942	-
Caswell Mthombeni Cons.		Road block trailers x6	629	-
Road Traffic Management Corporation (RTMC)		Mobile Test Law Enforcement – Test Centre x2	6 270	-
Road Traffic Management Corporation (RTMC)		Truck Tractor (Branded) x2	1 710	-
Road Traffic Management Corporation (RTMC)		Venter Trailer Super 6 – Mobile Weighbridge x2	559	-
Workshop Electronics		Toyota Aygo x2	300	-
Self Help Association of Paraplegics (Soweto)		Toyota Corolla Quest 1.6	183	-
Valostar3000		Display Case and door	22	-
Cecile Nurse		Office furniture	310	-
Joroy 0009CC		Victoria Double Seater – Black Leather	15	-
Joroy 0009CC		Exodus Ergonomic HB Chair X2	7	-
Joroy 0009CC		Nuclues Stainless Steel Table	6	-
Joroy 0009CC		Clear Glass Top for Nuclues Table	1	-
Free State Fleet management		Donation Received for 40 vechiles	9 108	
Workshop Electronics		Furniture	-	52
Caswell Mthombeni Cons.		Furniture	-	229
VNA Consulting		Computers	-	64
Caswell Mthombeni Cons.		8-ton Branded truck	-	1 600
Caswell Mthombeni Cons.		Road block trailers	-	690
Caswell Mthombeni Cons.		Instruments for the FS band	-	70
Caswell Mthombeni Cons.		Data Projector	-	52
Free State Fleet Management		Donation received of 25 vehicles for 5 learning schools	-	767
Subtotal			20 062	3 524
TOTAL			20 062	3 564

Unaudited supplementary information

## ANNEXURE 1E

### STATEMENT OF AID ASSISTANCE RECEIVED

NAME OF DONOR	PURPOSE	OPENING BALANCE R'000	REVENUE R'000	EXPENDI- TURE R'000	CLOSING BALANCE R'000
<b>Received in cash</b>					
Road Traffic Management Corporation	Road Safety programme	216	-	-	216
<b>Subtotal</b>		<b>216</b>	<b>-</b>	<b>-</b>	<b>216</b>
<b>Received in kind</b>					
<b>Subtotal</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>		<b>216</b>	<b>-</b>	<b>-</b>	<b>216</b>

*This amount was for the unused funds from 2014/15 financial year from Road Traffic Management Corporation for Road Safety*

*Programme*

*Unaudited supplementary information*

## ANNEXURE 1F

### STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE

NATURE OF GIFT, DONATION OR SPONSORSHIP	2016/17	2015/16
	R'000	R'000
<b>Made in kind</b>		
Truck Hino – Fleet Management	942	-
Road block trailers x6 – Fleet Management	629	-
Mobile Test Law Enforcement	6 270	-
Truck Tractor (Branded) x2 – Fleet Management	1 710	-
Venter Trailer Super 6 – Mobile Weighbridge	559	-
Toyota Aygo x2 – Fleet Management	300	-
Toyota Corolla Quest 1.6 – Fleet Management	183	-
Ford Ranger S/Cab 4x4	9 108	-
LDV Vehicles	4 711	-
Lemotso Public Primary School	-	20
Trophies for Annual Prov. Driver of the year	-	2
T-shirts for annual driver of the year competition	-	14
Certificates for debate competition	-	2
Trophies for competition	-	5
Certificates for competitions	-	5
Certificates for long service awards	-	149
Donation of 6 trailers to Fleet management	-	690
Donation of 5 vehicles to 5 learning schools	-	767
<b>TOTAL</b>	<b>24 412</b>	<b>1 654</b>

Unaudited supplementary information

## ANNEXURE 1G

### STATEMENT OF ACTUAL MONTHLY EXPENDITURE PER GRANT

Grant Type	Apr 2016 R'000	May 2016 R'000	Jun 2016 R'000	Jul 2016 R'000	Aug 2016 R'000	Sept 2016 R'000	Oct 2016 R'000	Nov 2016 R'000	Dec 2016 R'000	Jan 2017 R'000	Feb 2017 R'000	Mar 2017 R'000	Total R'000
EPWP	-	-	-	1 376	-	1 061	-	1 375	-	-	1 553	-	5 365
Integrated grant for Provinces													
Provincial Roads Maintenance Grant	29 198 447	90 406	122 984	124 258	87 146	105 636	162 874	22 246	121 732	39 203	1 259 408		
Public Transport Operations Grant	-	19 471	35 933	3 692	40 759	18 010	3 354	21 142	24 586	17 508	15 854	40 908	241 217
<b>TOTAL</b>	<b>29 217 918</b>	<b>126 339</b>	<b>128 052</b>	<b>165 017</b>	<b>106 217</b>	<b>108 990</b>	<b>187 460</b>	<b>206 964</b>	<b>139 139</b>	<b>80 111</b>	<b>1 505 990</b>		

Unaudited supplementary information.

## ANNEXURE 2

### STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2017

Nature of Liability	Opening Balance 1 April 2016 R'000	Liabilities incurred during the year R'000	Liabilities paid/ cancelled/ reduced during the year R'000	Liabilities recoverable (Provide details here under) R'000	Closing Balance 31 March 2017 R'000
<b>Claims against the department</b>					
Road accident claims	215 582	23 056	16 787	-	221 851
Direct Claims against the Department	1 425	634	458	-	1 601
Claims for services rendered and not paid	9 775	-	-	-	9 775
<b>Subtotal</b>	<b>226 782</b>	<b>23 690</b>	<b>17 245</b>	<b>-</b>	<b>233 227</b>
<b>Environmental Liability</b>					
Land rehabilitation of Quarries	4 461 079	716 665	-	-	5 177 744
<b>Subtotal</b>	<b>4 461 079</b>	<b>716 665</b>	<b>-</b>	<b>-</b>	<b>5 177 744</b>
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>4 687 861</b>	<b>740 355</b>	<b>17 245</b>	<b>-</b>	<b>5 410 971</b>

The comparative for Road accident claims and direct claims has been restated to ensure a fair presentation of the AFS.  
Unaudited supplementary information.

## ANNEXURE 3

### CLAIMS RECOVERABLE

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash in transit at year end 2016/17	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016	31/03/2017	31/03/2016	Receipt date	Amount
	R'000	R'000	R'000	R'000	R'000	R'000		R'000
<b>Department</b>								
National Department of Transport	-	-	883	883	883	883	-	-
National Department of Labour	-	-	1	18	1	18	-	-
National Department of Telecommunications & Postal Services	-	-	-	98	-	98	-	-
National Department of Defence	-	-	-	42	-	42	-	-
South African Police Service	3	-	-	3	3	3	-	-
DIRCO	-	-	3	3	3	3	-	-
EC: Department of Transport and Safety	-	-	-	8	-	8	-	-
NC: Department of Transport and Safety	-	-	-	3	-	3	-	-
FS Human Settlement	589	-	-	-	589	-	-	-
FS Premier	1 791	-	-	-	1 791	-	-	-
FS Health	149	-	-	-	149	-	-	-
FS of Agriculture	-	-	12	-	12	-	-	-
FS Public Works	967	-	-	-	967	-	-	-
Provincial Treasury	20	-	-	-	20	-	-	-
	<b>3 519</b>	<b>-</b>	<b>899</b>	<b>1 058</b>	<b>4 418</b>	<b>1 058</b>		
<b>Other Government Entities</b>								
Fleet Management	2 259	63	289	298	2 548	361	-	-
SANRAL	-	-	403	403	403	403	-	-
Medpals	22	-	-	-	22	-	-	-
GEPF	-	-	31	-	31	-	-	-
	<b>2 281</b>	<b>63</b>	<b>723</b>	<b>701</b>	<b>3 004</b>	<b>764</b>		
<b>TOTAL</b>	<b>5 800</b>	<b>63</b>	<b>1 622</b>	<b>1 759</b>	<b>7 422</b>	<b>1 822</b>		

Unaudited supplementary information.

# ANNEXURE 4

## INTER-GOVERNMENT PAYABLES

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL		Cash in transit at year end 2016/17	
	31/03/ 2017	31/03/ 2016	31/03/ 2017	31/03/ 2016	31/03/ 2017	31/03/ 2016	Payment date up to six (6) working days before year end	Amount
	R'000	R'000	R'000	R'000	R'000	R'000		R'000
<b>DEPARTMENTS</b>								
<b>Current</b>								
FS Department of Justice	2 720	854	-	-	2 720	854		-
FS Department of Premier	1 094	-	-	-	1 094	-		-
FS Department of Social Welfare	-	205	-	-	-	205		-
FS Department of Public Works	-	1	-	-	-	1		-
<b>Subtotal</b>	<b>3 814</b>	<b>1 060</b>	<b>-</b>	<b>-</b>	<b>3 814</b>	<b>1 060</b>		-
<b>OTHER GOVERNMENT ENTITY</b>								
<b>Current</b>								
Fleet Management	39 045	-	-	-	39 045	-		-
<b>Subtotal</b>	<b>39 045</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39 045</b>	<b>-</b>		-
<b>TOTAL</b>	<b>42 859</b>	<b>1 060</b>	<b>-</b>	<b>-</b>	<b>42 859</b>	<b>1 060</b>		-

Unaudited supplementary information.

## ANNEXURE 5

### INVENTORIES

Inventory [Per major category]	Note	Quantity	2016/17	Quantity	2015/16
			R'000		R'000
Opening balance		-	-	-	-
Add/(Less): Adjustments to prior year balance		-	-	-	-
Add: Additions/Purchases – Cash		-	33 232	-	30 388
Add: Additions - Non-cash		-	-	-	-
(Less): Disposals		-	-	-	-
(Less): Issues		-	(33 232)	-	(30 388)
Add/(Less): Adjustments		-	-	-	-
		-	-	-	-
<b>Closing balance</b>		-	-	-	-

*Unaudited supplementary information*



## ANNEXURE 6

### MOVEMENT IN CAPITAL WORK IN PROGRESS

#### MOVEMENT IN CAPITAL WORK IN PROGRESS FOR THE YEAR ENDED 31 MARCH 2017

	Opening balance R'000	Current Year Capital WIP R'000	Completed Assets R'000	Closing balance R'000
<b>BUILDINGS AND OTHER FIXED STRUCTURES</b>	<b>473 487</b>	<b>645 171</b>	<b>(866 565)</b>	<b>252 093</b>
Dwellings	-	-	-	-
Non-residential buildings	2 987	14 875	(7 758)	10 104
Other fixed structures	470 500	630 296	(858 807)	241 989
<b>LAND AND SUBSOIL ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mineral and similar non- regenerative resources	-	-	-	-
<b>TOTAL</b>	<b>473 487</b>	<b>645 171</b>	<b>(866 565)</b>	<b>252 093</b>

Age analysis on ongoing projects	Number of projects		2016/17 Total R'000
	Planned Construction not Started	Planned Construction Started	
0 to 1 year	-	10	154 909
1 to 3 year (s)	-	1	2 731
3 to 5 year (s)	-	1	94 453
Longer than 5 years	-	-	-
Total	-	12	252 093

## MOVEMENT IN CAPITAL WORK IN PROGRESS FOR THE YEAR ENDED 31 MARCH 2016

	Opening balance	Prior period error	Current Year Capital WIP	Completed Assets	Closing balance
	R'000	R'000	R'000	R'000	R'000
<b>BUILDINGS AND OTHER FIXED STRUCTURES</b>	<b>756 139</b>	<b>-</b>	<b>684 335</b>	<b>(966 987)</b>	<b>473 487</b>
Dwellings	-	-	-	-	-
Non-residential buildings	-	-	14 035	(11 048)	2 987
Other fixed structures	756 139	-	670 300	(955 939)	470 500
<b>LAND AND SUBSOIL ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mineral and similar non- regenerative resources	-	-	-	-	-
<b>TOTAL</b>	<b>756 139</b>	<b>-</b>	<b>684 335</b>	<b>(966 987)</b>	<b>473 487</b>

*Unaudited supplementary information*

## ANNEXURE 7

### INTER-ENTITY ADVANCES RECEIVED (note 21 and note 22)

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/ 2017	31/03/ 2016	31/03/ 2017	31/03/ 2016	31/03/ 2017	31/03/ 2016
	R'000	R'000	R'000	R'000	R'000	R'000
<b>PROVINCIAL DEPARTMENTS</b>						
Current	-	-	-	1	-	1
Other	-	-	-	-	-	-
<b>Subtotal</b>	-	-	-	1	-	1
<b>Non-Current</b>	-	-	-	-	-	-
<b>Subtotal</b>	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	1	-	1
Current	-	-	-	1	-	1
Non-current	-	-	-	-	-	-

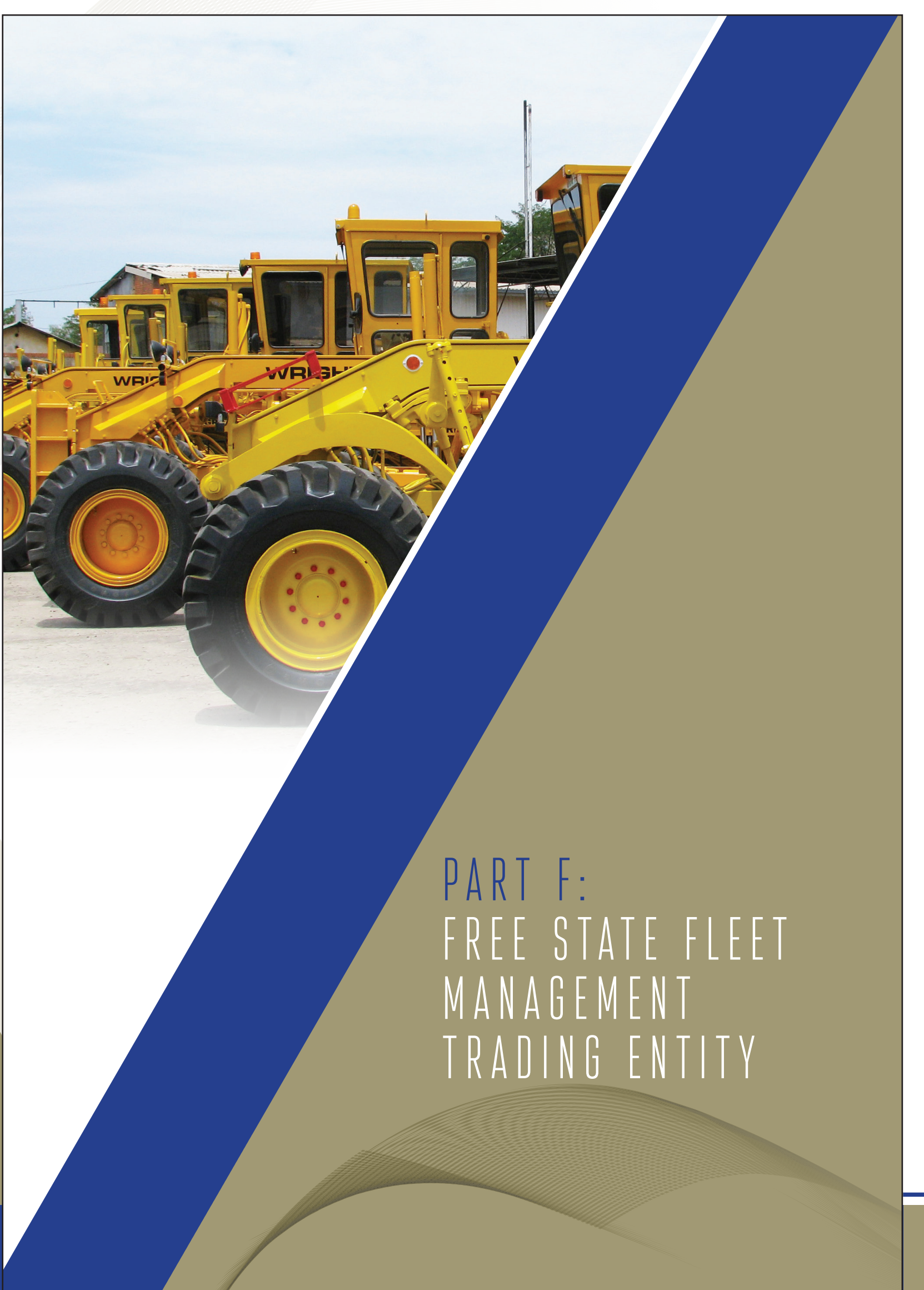
*Unaudited supplementary information*

## ANNEXURE 8

Tertiary roads are roads that are on farm lands and are not the property of the Department. These roads are used as access roads and the Department only has right of use of the assets.

There is a total of 17 258 km of proclaimed tertiary roads in the Province.

*Unaudited supplementary information*



PART F:  
FREE STATE FLEET  
MANAGEMENT  
TRADING ENTITY

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## GENERAL INFORMATION

**Accounting Officer**

Mr. SJ Msibi

**Acting Head: Fleet Management**

Mr. G Ramotsoto

**Acting Chief Financial Officer**

Mr. JM Morobe

**Acting Director: Fleet Operations**

Mr. W Bezuidenhout

**Acting Director: Supply Chain Management**

Mr. M Ismail

**Director: Security**

Mr. S Modise

**Registered Office**

C/o Rhodes and Harvey Avenue  
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Free State

**Postal Address**

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Bloemfontein  
9300

**Contact Numbers**

Tel: (051) 400 5200  
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**Bankers**

Standard Bank  
173 Nelson Mandela Drive  
Bloemfontein  
9300

**Auditors**

Office of the Auditor-General  
19 Donald Murray Street, ABSA Building, 2<sup>nd</sup> Floor  
Brandwag  
Bloemfontein  
9300

## REPORT OF THE ACCOUNTING OFFICER

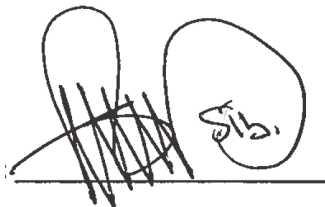
The 2016/17 annual report of Fleet Management is hereby submitted to the Executive Authority and Provincial Treasury as required in terms of section 40(1)(d) of the Public Finance Management Act of 1999 (Act no 1) as amended by Act 29 of 1999.

Free State Fleet Management Trading Entity is a trading entity of the Department of Police, Roads and Transport. It provides fleet management services to departments and municipalities based in the Free State Province. The Entity prepares its financial statements in terms of the Statements of Generally Recognised Accounting Practice (GRAP).

The Trading Entity continues to grow and the level of services that it delivers can only be attributable to a dedicated workforce. The impact of the work that Fleet Management has performed, especially the impact that the Road Building Equipment unit has on the road infrastructure at municipal level, has played a major role in improving the living conditions of our communities.

It is with pleasure to note that the Trading Entity continues to provide an excellent service to government institutions in a most cost efficient manner.

The Annual Financial Statements set out on pages **15 to 60** have been approved by the Accounting Officer.

A handwritten signature in black ink, consisting of a large, stylized 'S' and 'J' followed by 'Msibi'.

**Mr. SJ Msibi**  
**Accounting Officer**

**31 JULY 2017**



## FINANCIAL REVIEW BY MANAGEMENT

### 1. Financial Highlights

While the 2016/17 financial year saw a continuation of the challenging economic conditions, Fleet Management continued to render an effective and efficient fleet service to government departments and municipalities that are based in the Free State Province. It is with pleasure to note that despite the prevailing economic downturn the entity is financially independent.

Free State Fleet Management has made great strides in improving its service delivery mandate as outlined in the Constitution as whole, for the financial year under review, the Entity procured 198 vehicles for replacement purposes in line with the commitment made to user department. Furthermore, 177 vehicles were procured as additional, the entity spent an amount R181 million in the acquisition of vehicles, disposed of 343 vehicles through auctions and received revenue to the value of R18 million for the sale of these vehicles.

The financial position of the entity is steady with all user departments paying their accounts through debit orders. Free State Fleet Management Financial Performance is also stable since well all service providers are paid within 30 days, as prescribed by Treasury Regulations. However, there are still delays from municipalities in making payments within 30 days in order to settle their outstanding debts, for services rendered by Free State Fleet Management.

To improve safe-guarding of our assets, the entity has installed security cameras in our premises in order to enhance security measures.

When compared to its competitors, the tariffs charged by the Trading Entity from its user department remain cost effective, Furthermore, Free State Fleet Management has established a Transport Officers Forum in order to meet client satisfaction and bridge the gap between the entity and its client

The entity did not receive a grant for the municipal support program. This has resulted in a significant reduction in the purchases of road building equipment of nearly 90.9% or R19.4 million. The Fleet Trading Entity is consistently seeking ways to sustain its existence and provide good customer care to user department and municipalities.

Free State Fleet Management has a goal to transform the motor industry in future. This will allow the Entity to contribute enormously to radical economic transformation and create an environment that provides more opportunities through Private Public Partnerships with motor dealers.



## 2. Progress related to primary operational programs

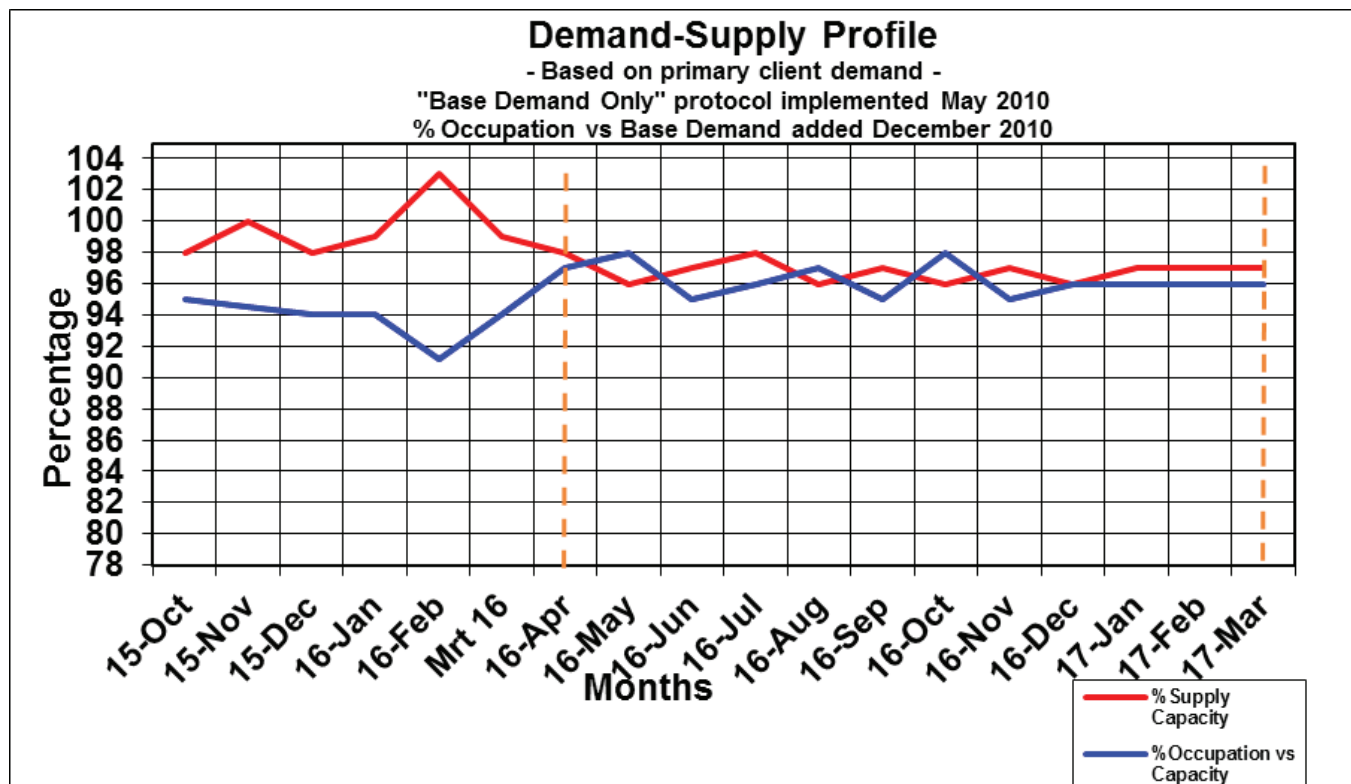
Fleet Management manages key programs within the operational divisions namely the Equipment Life-Cycle Management program and the Client Support program.

### 2.1 Equipment Life-Cycle Management program

All operational programs are regulated by client demands. The alignment of fleet capacity to client demand is measured monthly, and trends in the graphic display, combined with source data analysis determines priorities in the purchase repair and rebuild sub-programs. The fairly level trend since October 2015 was the result of the output from the grader rebuild program, inputs by FM delegates to specification committees at National Treasury, some very specific demand regulated purchases that have been made, and the continuous streamlining of procedures. This process of continuous measurement is an essential element to ensure a sufficient supply capacity to client demand ratio.

## 3. Demand-Supply

### 3.1 Profile



### 3. Demand - Supply (*continued*)

#### 3.2 Profile Analysis

- 3.2.1 Fairly level occupation and availability from October 2015.
- 3.2.2 The year 2016 saw some peaks in the occupation during the second half of the year that led to supply capacity not being at an optimal level at all times. This was due to new fleet items not being delivered and commissioned yet at that stage. Once the items were placed into operation the indicators stabilised.
- 3.2.3 It is foreseen that with more fleet items being placed into operation soon the pressure would be further relieved.
- 3.2.4 The completion of some life extending repairs on our motor grader fleet towards the latter part of the year contributed to the smoothing of the trend.

#### 3.3 Source Data Analysis (Individual shortfalls on supply capacity)

Additional needs identified:

1. One 100 t GCM abnormal load truck tractor need to be replaced. The exact requirement was finalised and procurement will continue.
2. The central compressor at the main workshop in Hamilton Bloemfontein needs to be replaced. The procurement process will commence during the next financial year.

#### Non-Supplies – Cause and Solution

Equipt	Reason	Root Cause	Action	Challenges
GRB, GRD Motor Grader	Aging Fleet	NA	Purchase – replacement cycle to be implemented	Funding at R3.8m per unit
SRB Rehab trailer	Inadequate numbers in fleet	NA	Purchase. Tender transaction, specs ready	
SGA Grader unit trailer	Inadequate numbers of upgraded units	NA	Local Rebuilds possible.	Cost: about R340,000 per unit
SFA Fuel trailer	Inadequate numbers of upgraded units	NA	Purchase. Tender transaction, specs ready	
BPH	Inadequate numbers in fleet	NA	Purchase. Tender transaction, specs ready	
TLD – Service vehicles	Aging Fleet	NA	Purchase RT 57 over the next 3 financial years	

### 3. Demand - Supply (*continued*)

#### 3.4 Fleet and Facilities

To be noted and incorporated in future planning:

a. Service vehicles

Fleet Management has currently two graders being fully rebuilt with completion expected during the next financial year. Current planning is underway to also internally rebuild an additional two. We have, however, reached a point where the age of our grader fleet would probably not allow for a sustainable and economical rebuild program to continue.

It is furthermore expected that metal fatigue on some components would become apparent **during the second life**. We would however continue to embark on life extending repairs and some major repairs to ensure that a successful Free State blading and gravel road maintenance service can be maintained.

b. Service vehicles

The service vehicles used internally by the Fleet Management staff to maintain the fleet has been identified to be replaced as the age and cost of maintaining them is no longer feasible. This project would be phased in over the next three financial years.

c. Platform Trucks

Fleet Management fitted 9 seater crew cabs to 11 midlife platform trucks and procured 12 new platform trucks with 9 seater crew cabs fitted. These trucks with cabs are fully homologate and the cabs adhere to the required safety standards. Moving forward this would be the norm for all platform trucks.

d. Facilities

A number of the district repair facilities have been identified for upgrades and repairs. Inspections are currently being done to assist with the primary findings and recommendation report. This is a long-term project requiring huge capital layout.



3. Demand - Supply (continued)  
3.4 Fleet and Facilities (continued)

Notable Achievements  
Ad Hoc Support Services (Hlasela projects)



### **3. Demand - Supply (*continued*)**

#### **3.4 Fleet and Facilities (*continued*)**

Fleet Management was involved in 12 Operation Hlasela Projects. These projects varied in magnitude ranging from re-graveling to town clean-up.

##### **Hlasela Projects:**

- Qwa Qwa
- Marquard
- Tweeling
- Dewetsdorp
- Tweespruit
- Nala
- Ikgomotseng
- Cornelia
- Villiers
- Viljoenskroon
- Zamdela

##### **Impact on National Level**

##### **“Yellow Plant” on transversal National Treasury contract (RT57)**

For the first time ever, the Transversal National Treasury Contract RT57 had earthmoving machinery incorporated. The contract became available as from July 2016 and it was also for the first time ever extended to a two-year contract. This was the result of an intensive preparation program by the Working Committee of the MSSC, where Free State Fleet Management is one of the “primary drivers”.

##### **Representation on National Committees**

Fleet Management Free State also sends officials to represent the entity on two national committees. These committees convene bi monthly and is chaired by the National Department of Transport with fleet managers from all provinces serving as members.

- Coordinating Committee for Government Motor Transport overseeing all fleet related policy inputs, transversal bid inputs and management of the current fleet contracts used by the entity.
- Mechanical Services Subcommittee dealing with all matters related to road building equipment and plant.

### Gratitude

I thank the management and staff of Fleet Management for the continued support that they have provided to our communities and trust that we will continue with these efforts in the future.

A handwritten signature in black ink, consisting of stylized loops and a horizontal line, with the initials 'SJ' visible.

**Mr. SJ Msibi**  
**Accounting Officer**

**31 JULY 2017**

## PERFORMANCE REPORT

Strategic Objective: Ensure the effective and efficient management and administration of all government fleet in the Free State Province.

Fleet Management (Trading Entity)

Priorities

### **Rightsizing of the fleet and alignment of the fleet composition to the requirements of the users**

This is a continuous process of needs analysis, capacity measurements, projections, and prioritization of repairs, refurbishments and purchases.

Until end of March 2017, a total of 375 new fleet vehicles and equipment were delivered.

Increase procurement of maintenance and repairs services from Historically Disadvantaged Individuals (HDIs) (TARGET 10)

At the end of the financial year, the actual number of tenders for maintenance and repairs from HDIs accounted to 13.

### **Keep fleet within its life expectancy**

This is an ongoing process which needs collaborations of user department as well as fleet management in order to comply with warranty requirements. Until the end of March 2017, actual service and maintenance performed was 94%.

FREE STATE FLEET MANAGEMENT TRADING ENTITY  
PERFORMANCE REPORT  
For the year ended 31 MARCH 2017

Measurable objectives	Performance Indicators	2015/16 Actual Achievement	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to actual achievement 2016/2017	Comments on deviation
Improvement of quality of service to client Department.	Provision of additional vehicles (over above normal replacement).	100%	100%	100%	0-	-
Increase procurement of maintenance and repair services from Historically Disadvantaged Individuals (HDI).	Number of tenders awarded to HDIs.	10 HDIs companies were awarded tenders.	10 HDIs companies	13 HDIs companies	3	There was a need for more service providers due to an increase in the fleet across the Province.
Keep fleet within its life expectancy.	Number of vehicles maintained.	80%	85%	94%	9%	Service and maintenance of vehicles to sustain manufactures warranties and perform regular technical inspections. Vehicles were serviced more than twice annually.



## INTERNAL AUDIT AND AUDIT COMMITTEE

### INTERNAL AUDIT FUNCTION

In the period under review, the Internal Audit Function (IAF) of the Free State Department of Police, Roads and Transport continued to fulfil its mandate to provide an independent, objective assurance and consulting activity that is designed to add value and improve the department's operations; in line with the PFMA, Treasury Regulations and the King Report on Corporate Governance requirements.

The IAF assisted the department to accomplish its objectives by bringing a systematic and disciplined approach by evaluating and assisting in improving the effectiveness of risk management, control and governance within the department. The function is a fully in-house function and operates in accordance with the approved Internal Audit Charter, Treasury Regulations and the International Standard of the Professional Practice of Internal Auditing (ISPPIA).

The IAF is further guided by a fully functional Audit Committee which operates in terms of an approved Audit Committee Charter and the Treasury Regulations.

The IAF has been subjected to an external quality assessment, by an external quality assessor, and was found to be partially conforming to the ISPPIA. The function proceeded to implement measures to address all non-compliant requirements, assisted and monitored by the Audit Committee.

### INTERNAL AUDIT RESPONSIBILITIES

The IAF through engagement with internal stakeholders formulated a comprehensive three-year rolling plan, incorporating an annual plan that was approved by the Audit Committee. The annual audit plan of planned audits was fully executed during the year under review. The IAF also performed various consulting activities, and relationships with management improved as evidenced by the increase in management requested engagements, in turn, indicating that management sees the value of the IAF within its system of governance. Furthermore, the head of the IAF has complete access and a direct reporting line to the Audit Committee and reports at each audit committee meeting on control weaknesses and other internal audit activities. The internal audit function coordinated the Combined Assurance Model with the guidance from the Audit Committee and Provincial Treasury.

The table below summarises the Internal Audit work completed during the year.

Business Units	Audit Coverage
Fleet Management	<ul style="list-style-type: none"> <li>Assets Management</li> <li>Supply Chain Management</li> <li>Revenue and Receivables Management</li> </ul>

## AUDIT COMMITTEE

The table below discloses relevant information on the audit committee members:

Name	Qualifications	Internal or external	If internal, position in the department	Date appointed	No. of Meetings attended
Maleho Nkomo	<ul style="list-style-type: none"> <li>B.Com</li> <li>B Com (Hons)</li> <li>M.Com</li> </ul>	External	N/A	1 September 2014	5 of 5
Andile Mahlalutye	<ul style="list-style-type: none"> <li>BSc Quantity Surveying</li> <li>Diploma in Company Direction</li> <li>Masters in Business Leadership</li> <li>Masters in Financial Management</li> <li>Certificate in Development and Management of Non-Governmental Organisation</li> </ul>	External	N/A	Initial Appointment: 1 March 2011  Re-appointment: 1 September 2014	1 of 5
Priscilla Mateta	<ul style="list-style-type: none"> <li>B Com Accounting</li> <li>Post Graduate Diploma in Engineering Business Management</li> <li>Post Graduate Certificate in Compliance Management</li> <li>Post Graduate Certificate in Corporate Governance</li> <li>Post Graduate Certificate in Environmental Law</li> </ul>	External	N/A	Initial Appointment: 1 March 2011  Re-appointment: 1 September 2014	5 of 5
Collen Weapond	<ul style="list-style-type: none"> <li>LLB</li> <li>B Juris</li> <li>Certificate in Policing</li> <li>B Tech Policing/Investigations</li> <li>Diploma in Education</li> <li>B. Comm Honours (IT)</li> <li>Postgraduate Diploma in Computer Forensic (Course work)</li> <li>Diploma in Business Management</li> <li>Diploma in Compliance Management</li> <li>Programme in Fraud Management</li> <li>Masters in Business System (Course work completed)</li> </ul>	External	N/A	Initial Appointment: 1 March 2011  Re-appointment: 1 September 2014	4 of 5
*George Motloi	<ul style="list-style-type: none"> <li>B Com in Accounting</li> <li>Management Development Programme (MDP)</li> </ul>	External	N/A	1 September 2014	4 of 5

Name	Qualifications	Internal or external	If internal, position in the department	Date appointed	No. of Meetings attended
Sibusiso Majola	<ul style="list-style-type: none"> <li>• Certificate in Theory of Accounting</li> <li>• B Com Accounting (Hons)</li> <li>• Certified Internal Auditor</li> </ul>	External	N/A	1 September 2014	5 of 5

*\* Mr George Motloi resigned as a member of the Shared Audit Committee*

The Audit Committee continues to operate within its approved charter, which is reviewed annually to ensure relevance. In discharging its functions and delivering on its mandate, the Committee ensures to comply to section 38(1)(a) of the PFMA and paragraph 3.1 of the Treasury Regulations, through the combined support of all the assurance providers.

The Audit Committee met five times during the financial year under review. In these meetings, the Accounting Officer and executive management were always represented. The Auditor-General South Africa is always invited to attend, thus ensuring that such meetings are as effective and transparent as possible, also to ensure a renewed working relationship with the AGSA and that duplication of efforts is avoided.

## AUDITOR-GENERAL'S REPORT

The Internal Audit Function performed a review of the departmental Audit Action Plan to address the audit issues raised by the Auditor-General South Africa (AGSA) in the previous year and were satisfied that the remedial actions would address the issues raised.

## 12. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2017.

### Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 38 (1) (a) (ii) of the Public Finance Management Act, 1999 ( PFMA) and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the department revealed certain weaknesses, which were then raised with the Department.

The following internal audit work was completed during the year under review:

- Review of Asset Management
- Review of Supply Chain Management
- Review of Revenue and Receivables Management

The Audit Committee was concerned about the poor performance in meeting some of the targets.

### **In-Year Management and Quarterly Report**

The Audit Committee is satisfied with the contents and quality of the department's quarterly reports issued during the year under review and submitted to the provincial Treasury as required by the PFMA.

### **Evaluation of Financial Statements**

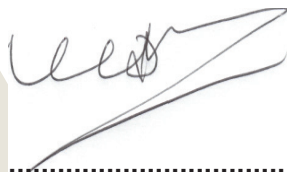
The Audit Committee has:

- Reviewed and discuss the unaudited Annual Financial Statements to be included in the Annual Report with the Accounting Officer.
- Reviewed the information on the Predetermined Objectives to be included in the Annual Report.
- Reviewed the Department's compliance with legal and regulatory provisions.

### **Auditor-General's Report**

The Audit Committee liaised with the Auditor-General South Africa (AGSA) during the year. We have reviewed the department's implementation plan for audit issues raised in the previous year and we are satisfied that the matters have been to a significant extent adequately resolved.

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



**Mrs MMD Nkomo**  
**Chairperson of the Audit Committee**  
**Date: 26 May 2017**

# REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF THE FLEET MANAGEMENT TRADING ENTITY FOR THE YEAR ENDED 31 MARCH 2017

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of Free State Fleet Management Trading Entity set out on pages 273 to 329, which comprise the statement of financial position, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended 31 March 2017, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Free State Fleet Management Trading Entity as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this.

#### Uncertainty relating to the future outcome of litigation

7. With reference to note 5.11 to the financial statements, the trading entity is the defendant in a labour-related case against them for an amount of R33 400 000 (2016: R27 500 000). The trading entity is opposing these claims. The ultimate outcome of the matter cannot currently be determined and therefore no provision for any liability that may result could be made in the financial statements.

#### Responsibilities of the Accounting Officer for the financial statements

8. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the PFMA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting officer is responsible for assessing the Free State Fleet Management Trading Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention to liquidate the trading entity or to cease operations, or there is no realistic alternative but to do so.

#### Auditor-General's responsibilities for the audit of the financial statements

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

#### Report on the audit of the annual performance report

12. The predetermined objectives of Free State Fleet Management Trading Entity are included in the annual performance report of the Department of Police, Roads and Transport and any findings will be reported in the department's audit report.



## Report on audit of compliance with legislation

### Introduction and scope

13. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the trading entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
14. The material findings in respect of the compliance criteria for the applicable subject matters is as follows:

### Annual Financial Statements

15. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records as required by section 40(1)(b) of the PFMA. Material misstatements of property, plant and equipment and payables from exchange transactions identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Other information

16. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report of the Department of Police, Roads and Transport regarding the trading entity. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
17. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
18. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

19. I have not yet received the annual report. When I do receive this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected I may have to re-issue my auditor's report amended as appropriate.

#### **Internal control deficiencies**

20. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report. I identified significant deficiencies in internal control:
21. Controls implemented by management over the preparation of the annual financial statements were not always effective, as asset registers were not adequately reviewed and verified against the GRAP standards before the submission of the annual financial statements submitted for audit.

*Auditor - General*

Bloemfontein  
31 July 2017



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



## **Annexure – Auditor-General's responsibility for the audit**

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and on the department's compliance with respect to the selected subject matters.

### **Financial statements**

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
  - Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit 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 department's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - Conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Fleet Management Trading Entities ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a department to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

FREE STATE FLEET MANAGEMENT TRADING ENTITY  
STATEMENT OF FINANCIAL PERFORMANCE  
For the year ended 31 MARCH 2017

**STATEMENT OF FINANCIAL PERFORMANCE**  
FOR THE YEAR ENDED 31 MARCH 2017

		31 March 2017	31 March 2016 Restated
	<i>Notes</i>	R'000	R'000
<b>REVENUE</b>			
Revenue from Exchange Transactions	5.1.1	498 958	472 932
Finance Income	5.1.2	16 739	23 529
Other Income	5.1.3	103	64
Revenue from Non- Exchange Transactions	5.1.4	2 984	-
<b>Total Revenue</b>		<b>518 784</b>	<b>496 525</b>
<b>EXPENSES</b>			
Administrative Expenses	5.2.1	(5 199)	(3 982)
Employee Benefit Expense	5.2.2	(59 391)	(53 408)
Other Operating Expenses	5.2.3	(386 297)	(317 454)
Depreciation Expense	5.2.4	(81 684)	(140 903)
<b>Total Expenses</b>		<b>(532 571)</b>	<b>(515 747)</b>
<b>Operating Surplus/(Deficit)</b>		<b>(13 787)</b>	<b>(19 222)</b>
Gain / (Loss) on Disposal of Property, Plant & Equipment		(284)	5 355
Actuarial Gain/(Loss) on Long Service Awards Provision	5.7.1	(32)	794
Gain / (Loss) on revaluation of Property, Plant & Equipment		149	-
<b>DEFICIT FOR THE PERIOD</b>		<b>(13 954)</b>	<b>(13 072)</b>

**STATEMENT OF FINANCIAL POSITION**  
AS AT 31 MARCH 2017

		31 March 2017	31 March 2016 Restated
	Notes	R'000	R'000
<b>ASSETS</b>			
<b>Current Assets</b>		<b>353 079</b>	<b>408 567</b>
Trade and Other Receivables from Exchange Transactions	5.4.1	216 244	148 289
Cash and Cash Equivalents	5.5	136 835	260 278
<b>Non-Current Assets</b>		<b>498 099</b>	<b>470 633</b>
Property, Plant and Equipment	5.3	498 099	470 633
<b>Total Assets</b>		<b>851 178</b>	<b>879 200</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>49 636</b>	<b>75 524</b>
Payables From Exchange Transactions	5.6	38 301	63 970
Employee Benefits	5.7	11 177	11 282
Long Service Award Provision	5.7.1	158	272
<b>Non-Current Liabilities</b>		<b>2 267</b>	<b>1 686</b>
Long Service Award Provision	5.7.1	2 267	1 686
<b>Total Liabilities</b>		<b>51 903</b>	<b>77 210</b>
<b>Net Assets</b>		<b>799 275</b>	<b>801 989</b>
<b>NET ASSETS</b>			
Reserves		114 527	130 886
Accumulated Surplus	5.19	684 748	671 103
<b>Total Net Assets</b>		<b>799 275</b>	<b>801 989</b>

FREE STATE FLEET MANAGEMENT TRADING ENTITY  
STATEMENT OF CHANGES IN NET ASSETS  
For the year ended 31 MARCH 2017

**STATEMENT OF CHANGES IN NET ASSETS**  
FOR THE YEAR ENDED 31 MARCH 2017

<i>Notes</i>	Accumulated Surplus R'000	Revaluation Reserve R'000	Total R'000
<b>At 31 March 2015</b>	<b>643 147</b>	<b>120 896</b>	<b>764 043</b>
Deficit for the period	(13 072)	-	(13 072)
Correction of error	16 117	(4 931)	11 186
Surplus/(Deficit) on the revaluation of Property, Plant and Equipment	-	14 921	14 921
Transfers between components of net assets	24 996	-	24 996
Other movements	(85)	-	(85)
<b>At 31 March 2016 (Restated)</b>	<b>671 103</b>	<b>130 886</b>	<b>801 989</b>
Deficit for the period	(13 954)	-	(13 954)
Surplus on the revaluation of Property, Plant and Equipment	-	(16 671)	(16 671)
Transfers between components of net assets	23 091	-	23 091
Other movements	4 508	312	4 820
<b>At 31 MARCH 2017</b>	<b>684 748</b>	<b>114 527</b>	<b>799 275</b>

**STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 31 MARCH 2017

		<b>31 March 2017</b>	<b>31 March 2016 Restated</b>
	<i>Notes</i>	<b>R'000</b>	<b>R'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers		439 723	428 282
Payments to Suppliers and Employees		(376 596)	(332 623)
<b>Net Cash Flows from Operations</b>		<b>63 127</b>	<b>95 659</b>
Interest Received		14 567	23 529
<b>Net Cash Flows from Operating Activities</b>	<b>5.9</b>	<b>77 694</b>	<b>119 188</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Vehicles		(198 420)	(162 970)
Purchase of Road Building Equipment		(17 792)	(2 865)
Purchase of Office Equipment and Furniture		(4 858)	(723)
Proceeds on Sale of Fixed Assets		19 942	31 023
Other non-cash items		(10)	(4 164)
<b>Net Cash Flows from Investing Activities</b>		<b>(201 138)</b>	<b>(139 699)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(123 443)</b>	<b>(20 511)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		260 278	280 789
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>5.5</b>	<b>136 835</b>	<b>260 278</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### 1. GENERAL INFORMATION

The annual financial statements of the Fleet Management Trading Entity for the year ended 31 March 2017 were authorised for issue by the Accounting Officer on the 31st of May 2016.

Fleet Management is a Trading Entity incorporated in terms of Section 19 of Treasury Regulations as issued in terms of the Public Finance Management Act of 1999. A Trading Entity is defined as an Entity operating within the administration of a department. In the case of the Fleet Management, the Department referred to is the Department of Police, Roads & Transport.

The Entity is domiciled in Bloemfontein within the Free State Province, South Africa.

#### Principal Activities

The Entity is responsible for supplying the Free State Government Departments, National Departments functioning in the Free State Province as well as Free State Municipalities, with affordable and reliable vehicles and Road Building Equipment.

The Entity has different categories of vehicles that are rented to National, Provincial and Local Government and Municipalities:

- a) Permanent Vehicles: These are vehicles that are permanently allocated to clients.
- b) General Hire Vehicles: These vehicles are available for rental by clients, as and when they need extra transport.
- c) Equipment: The equipment fleet is permanently rented to the Department responsible for roads. A small portion of the fleet is rented to local Municipalities, small contractors and other Government Departments.

The Entity **recovers** its costs through the following tariffs, as approved by Provincial Treasury on an annual basis:

- a) Daily Tariffs: These tariffs are calculated in such a way that Fleet Management recovers its overheads as well as a capital component of the fleet.
- b) Tariffs: These tariffs are calculated in such a way that Fleet Management recovers the running expenses of the fleet, which is fuel, oil, maintenance, etc.
- c) Road Building Equipment Tariffs: These tariffs are calculated in such a way that Fleet Management recovers overheads, the capital component and running expenses of the fleet.

## **2. BASIS OF PREPARATION**

The annual financial statements of the Entity have been prepared in accordance with the Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board, and on the going concern basis.

Where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act (PFMA), Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the PFMA and the annual Division of Revenue Act.

The annual financial statements have been prepared on a historical cost basis, except for vehicle fleet and road building equipment that have been measured at fair value. Trade receivables and trade payables have been measured at fair value, initially and subsequently at amortised cost, using the effective interest method.

The financial statements are presented in South African Rand and all values are rounded to the nearest thousand (R'000), except when otherwise indicated.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 25 for First-time adoption of Standards of GRAP.

## **GOING CONCERN ASSUMPTION**

These financial statements have been prepared based on the expectation that the Entity will continue to operate as a going concern for at least the next 12 months.

### **3.1 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Entity's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.



### 3.1 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### Judgments

In the process of applying the Entity's accounting policies, management has made the following judgment, apart from those involving estimates, which has the most significant effect on the amounts recognised in the financial statements:

##### *Vehicle fleet rentals treated as operating lease*

Management classifies the lease contracts for the renting of vehicles by clients (specifically vehicles that have been permanently allocated) as operating leases. Management reached this conclusion after evaluating (which included the performance of calculations to support the evaluation) the six (6) indicators identified in GRAP 13

*Leases*, paragraph 12 that could individually, or in combination lead to leases being classified as finance leases.

Management consulted extensively in this regard, and obtained an opinion from the Provincial Treasury, that supported the judgment.

It should also be noted that the Provincial Treasury approves the rates on a year to year basis and these tariffs may be reviewed by Free State Fleet Management Trading Entity whenever deemed necessary.

##### *Vehicle fleet valuation*

Despite the fact that a detailed procedure manual exists, which explains the way in which the annual valuation of the entire vehicle fleet is performed, some areas remain where the officials responsible for the valuation, has to make their own judgment. This is particularly true when rating the vehicle's condition. Management ensures accuracy in this matter by ensuring that only officials with adequate knowledge and expertise are utilised to perform the rating of condition that is performed during physical inspection.

### 3.1 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### *Provision for bad debt*

The management of the Trading Entity, with their detailed knowledge of each of their debtors, consider the recovery of each and every debtor individually, at year-end. This analysis involves an assessments of the recoverability of each debtor balances based on how long the debt is outstanding.

#### **Estimates**

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the Entity's accounting policies the following estimates, were made:

#### *Impairments*

Based on the results of each year's physical inspection, the management of the Trading Entity assess whether there are any indications of impairment.

Impairment on vehicles are determined by comparing market values with market values as published by TransUnion Business Solutions.

Based on the indicators of impairment that are present the impairment of each asset is estimated.

#### *Provisions*

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 5.7.

Provisions are measured using management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to the present value where the effect is material.