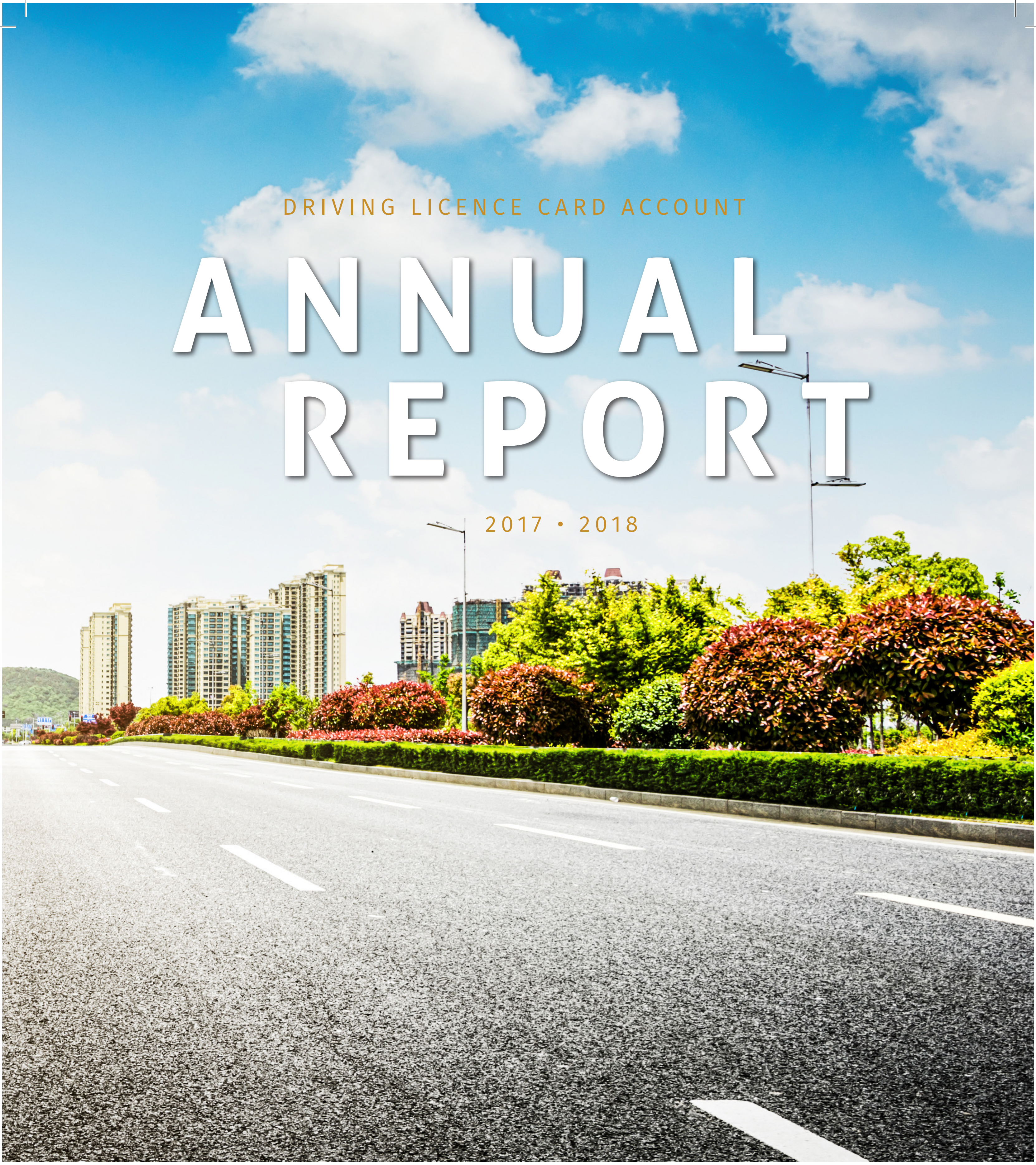
DRIVING LICENCE CARD ACCOUNT

ANNUAL REPORT

2017 • 2018



Driving Licence Card Account

Department:
Transport
REPUBLIC OF SOUTH AFRICA

PART A: GENERAL INFORMATION

PART B: PERFORMANCE INFORMATION

PART C: GOVERNANCE

PART D: HUMAN RESOURCE

PART E: FINANCIAL PERFORMANCE

— PART A

GENERAL INFORMATION

GENERAL INFORMATION

Name:	Driving Licence Card Account
Physical Address:	459B Tsitsa Street Erasmuskloof Pretoria 0181
Postal Address:	PO Box 25223 Monument Park 0105
Telephone Number:	+27 12 347 2522
E-mail Address:	Lufuno.lifhiga@dlca.gov.za
External Auditors:	Auditor-General of South Africa (AGSA)
Bankers:	First National Bank and ABSA Bank

LIST OF ABBREVIATIONS

AO	Accounting Officer
AGSA	Auditor – General of South Africa
BBBEE	Broad-Based Black Economic Empowerment
CFO	Chief Financial Officer
DLCA	Driving Licence Card Account
DLTC	Driving Licence Testing Centre
EU	European Union
HoD	Head of Department
LCU	Live Capture Unit
LEU	Live Enrolment Unit
MEC	Member of Executive Council
MOU	Memorandum of Understanding
MTEF	Medium-term Expenditure Framework
PFMA	Public Finance Management Act
SCM	Supply Chain Management
SDIP	Service Delivery Improvement Plan
SLA	Services Level Agreement
SMS	Short Message System
PWC	Price Waterhouse Coopers
SITA	State Information Technology Agency
SCOPA	Standing Committee on Public Accounts
GPW	Government Printing Works

FOREWORD BY MINISTER

It is a pleasure to present the Driving Licence Card Account's (DLCA) annual report for the 2017/18 financial year. This report highlights the challenges, the achievements and, to some extent, the plans the trading entity has, moving to the next financial year.

DLCA Functions

The DLCA is responsible for the production of high quality and secured driving licence cards for the citizens of the Republic of South Africa. This function was previous outsourced to a private company called Prodiba until 5 May 2015 when the DLCA took over the card production facility. Since then, the DLCA has been responsible for all card production operations from the time the applicant information is received until the card is delivered.

The card production process involves enrolment of applicant information using enrolment equipment placed at the Driving Licence Testing Stations (DLTC's). The information is then transferred through eNatis system to the cards production facility for personalisation / printing. Once printed, the cards are then delivered to the respective DLTCs across the country.

Achievements

During the year under review, the DLCA was able to successfully achieve the following:

- Produce over 2.5 million cards;
- Deliver 91% of cards within 7 working days;
- Transition from ISO 9001:2008 standard to the new ISO 9001:2015;

- Delivered the proof of concept for a mobile truck which can be used for renewal of driving licences during service delivery initiatives; and
- Implemented an SMS reminder service to remind drivers when their licences expired.

Challenges

The inadequate security at the DLTC results in theft and/or damage of the live Enrolment Units (LEUs), this challenge also contribute to the delays in the replacement of the Live Capture Units (LCUs) with the LEUs as the DLTCs have to meet minimum security standards for the LEU deployment to be carried out.

To mitigate on the matter, we have developed a Service Delivery Improvement Plan (SDIP) which should be signed by all the provinces, it is in a form of agreement between the DLCA and the provinces in relation to service delivery improvements initiatives. Furthermore, we also have ensured that the Driving Licence Testing Stations (DLTCs) meet minimum security standards before we deploy the new LEUs.

Lastly, the approval of the design of the new card will be finalised in a bid to improve services to our people and address the risk of old and ailing production machine.

Dr. B E Nzimande, MP
Minister of Transport
Date: 21/09/2018

FOREWORD BY DIRECTOR GENERAL

It is a great please to present the Driving Licence Card Account (DLCA)'s 2017/18 annual report. The DLCA is responsible for the production and delivery of driving licence cards within South Africa.

This annual report presents both the financial and non-financial performance of the DLCA. The DLCA was able to produce over 2.5million cards resulting in good financial health. Even though the organization faced some challenges, the dedication and commitment of our staff ensured that the DLCA was able to deliver on its mandate.

The DLCA will work within the integrated system of government and there are currently plans to integrate the functions of the driving licence cards into other facets of government which includes integrating the new driving licence card into the national ID smart card.

Mr. Chris Hlabisa
Acting Director General
Driving Licence Account Trading Entity
Date: 21/09/2018

OVERVIEW OF THE ACTING HEAD OF ENTITY

OVERVIEW OF THE DRIVING LICENCE CARD ACCOUNT AND BUREAU SERVICES OPERATIONS

Manufacturing of the credit card-format driving licence and maintenance of card layout

This service includes the provision of all the required material for the manufacturing, image capturing, personalisation, safekeeping, administration, management, quality control, transportation and distribution of driving licence cards to the DLTCs, as well as the printing and distribution of notice to collect forms. It also includes the supply, delivery, installation, commissioning, training and maintenance of equipment and facilities for the duration of the production period.

Since the DLCA took over the card production facility in May 2015, it has managed to produce over 7.5 million cards with a staff complement of just under 50 employees.

Provision of live enrolment units

In the 2015/16 financial year, the Entity embarked on a process to replace the ailing live capture units which were last upgraded in 2008 with new live enrolment units (LEUs). A contract was awarded to Muhlbauer ID Services GhmB, and was finalised in January 2016.

As at the year ending 31 March 2018, Northern Cape was the Province that have the lowest number of LEUs deployed as the Province was busy with road safety campaigns when the deployment was planned to take place. During the second tranche deployment of the project, Gauteng, KZN and WC opted to keep one LCU on site. In other Provinces, LEUs could not be deployed due to either faulty network points, additional network points being required or sites being under renovation.

The process for the acquisition of network points is the responsibility of the Province and the Road Traffic Management Corporation (RTMC). Those sites that are still outstanding will be deployed in the new financial year.

TABLE 1 - LEUs deployed

Province / Location	LEUs deployed	Outstanding units
Gauteng	162	56
North West	53	4
Eastern Cape	95	0
Western Cape	94	35
Mpumalanga	73	7
Free State	75	0
Limpopo	62	6
Kwazulu Natal	102	11
Northern Cape	6	55
DLCA - Training Units	5	0
DLCA - Mobile Units	50	0
Total	777	174

Query answering service on maintenance of enrolment units.

This encompasses the provision of responses to enquiries logged on e-Natis in respect of driving licence authorisation, card production and live enrolment units repairs and maintenance.

Tariff Policy

Treasury Regulation 19.5.2 and 19.5.3 requires the Trading Entity to determine the user charges with the aim to recover the full cost of providing the driving licence card, unless the relevant treasury approves lower charges and rates for user charges must be reviewed at least annually before the budget, any tariff increases are subject to approval by the relevant treasury.

The Entity applied to National Treasury to implement a 6.3% increase on its licence tariff. The proposed increased card price will be R 84.00. It is anticipated that approval will be obtained in the 2018/19 financial year.

ACCOUNTING OFFICER'S RESPONSIBILITIES

The Accounting Officer of the Trading Entity adequately fulfilled his responsibilities embodied in the Public Finance Management Act Section 38 and 40. The Head of the Trading Entity was appointed on an acting basis, and reporting framework for the Head of Entity, was approved by the Accounting Officer.

INTERNAL AUDIT

Driving Licence Card Account Trading Entity utilises the services of the Department Of Transport Internal Audit Unit, and an outsourced Service Provider (PWC), with the projects being funded by the Entity. PWC contract expired at the end of October 2017, The DLCA contracted Rakoma Inc from February 2018. Internal Audit (Rakoma Inc) has commenced with its Annual Internal Audit Plan for 2018/19.
The Trading Entity has an Audit Committee comprising of independent non-executive persons.

RISK AND FRAUD MANAGEMENT

Risk Management is integrated into the strategic plan, day-to-day operations of the Entity and quarterly reporting processes. The Management Executive Committee is responsible for the management of the Entity's risks. Continuous reviews of the strategic risks, risk mitigations and risk assessment are conducted to ensure effective management of risks. The Risk Management Committee sits on set half yearly to review the risks, mitigations and reports on implementation of controls. In the year under review, the Entity's Risk Management processes and oversight was improved.

The day-to-day operations of the Entity, relating to fraud/corruption and risk management, are guided by the risk management policy, risk strategy, risk framework, implementation plan, whistle blowing policy, anti-corruption and fraud prevention policy.

OVERVIEW OF THE FINANCIAL RESULTS

The Entity generates its revenue from the sale of driving licence cards. Revenue increased by 6% compared to the prior year. The increase in revenue is as a result of an increase in the number of cards produced and delivered in 2017/18. The revenue was recognized in line with GRAP, which stipulates that revenue can only be recognised after the risks and rewards has been transferred.

Table 2 - Overview of the financial rusults

2016/17				2017/18		
Sources of revenue	Budget	Actual amount collected	Over/(under) collection	Budget	Actual amount collected	Over/(under) collection
	R'000	R'000	R'000	R'000	R'000	R'000
Sale of Cards	198,200	190,818	(7,382)	201 737	202 302	20 573
Administration Fees	41	27	(14)	32	42	10
Interest received	13,629	23,110	9,481	24 566	26 741	2 175
Total	**211,870**	**213,955**	**2,085**	**226 335**	**229 085**	**22 758**

Table 3 - Collection of entitiy revenue

Year	120+ days	60+ days	0-30 days	Total	120 + days
	R'000	R'000	R'000	R'000	% of total debt
2018	348	919	20,630	19 363	1%
2017	3 027	1,491	25,683	21 165	11%

A significant amount of long outstanding debt, at 120+ days, reported at the beginning of the year was recovered during the year. This is a reflection that the significant amount of long outstanding debt at 120+ days was only accumulated in the current year. The total debt book decreased from R 3 million in prior year to R 348,000 in 2017/18. A significant decrease in the long outstanding debt was as a result of the DLTCs paying on time.

The DLCA continued to implement stringent measures in the current financial year to ensure that outstanding debt is collected. One of the measures implemented in the current financial year, was to withhold cards for the DLTCs that have long outstanding debt. 83% of the debt book is on current month, an indication that the bulk of debt is on current period rather than accumulating long outstanding debt.

The debtor's collection period decreased from 47 days to 45 days as of 31 March 2018. Kwa-Zulu Natal Province has drastically regressed in terms of their payment trend during the financial year. Gauteng and Free State Provinces have maintained good payment record throughout the financial year.

Table 4 - Buget vs Actual Expenditure

Description	2017/18			2016/17		
	Budget	**Actual**	**(over) under**	**Budget**	**Actual**	**(Over) under**
	R'000	R'000	R'000	R'000	R'000	R'000
Cost of Sales	74 688	68 893	5 795	74 710	60 900	13 810
Contract Services	6 408	3 219	3 189	8 104	2 550	5 554
Repairs and maintenance	11 022	16 257	-5 235	15 151	13 364	1 787
Depreciation	44 141	16 868	27 272	33 294	10 035	23 259
Employee Benefits	34 845	12 668	22 177	19 975	11 171	8 804
Other Expenses	35 223	18 827	16 396	54 136	18 187	35 949
Total	206 327	136 733	65 594	205 370	116 207	89 163

The budget for the year was under spent by R 92,357,000 due to:

- Personnel benefits were below budget as the Entity still has vacancies that are not filled due to the Entity structure that has not yet been approved.
- Depreciation and amortisation costs were below budget due to the LEU project that has not yet been fully rolled out.
- Contract services has not exceed budget amount due to a decrease in the use of consultants. Repairs and maintenance costs were over budget due to the LEU post realisation costs were budgeted under capital expenditure.
- Other expenditures were below budget due to cost control on stationery, travel and accommodation, computer expenses, advertising, courier, facilities

management, foreign exchange loss and entertainment expenses. Training budget was not exhausted due to reduced training needs at DLTCs. Lease rental costs were below budget due to management negotiated a lesser rental with SITA.

- The cost of sales figure has not exceeded the budget amount due to discount received

DELEGATION OF DUTIES AND RESPONSIBILITIES

During the 2015/16 financial year, the Accounting Officer delegated his powers to the Head of the Entity in terms of Section 44(1) of Public Finance Management Act, 1999 (Act no 1 of 1999) (PFMA).

Section 44(1) (a) of the PFMA states that The Accounting Officer for a department, Trading Entity or Constitutional Institution may, in writing, delegate any powers entrusted or delegated to the Accounting Officer in terms of this Act, to an Official in that department, Trading Entity or Constitutional Institution; and Section 44(1) (b) of the PFMA states that The Accounting Officer for a department, Trading Entity or Constitutional Institution may instruct any Official in that department, Trading Entity or Constitutional Institution to perform any of the duties assigned to the Accounting Officer in terms of this Act.

The duties and responsibilities were delegated to the Acting Head of Entity by the Accounting Officer, in writing in terms of the reporting framework.

In 2016/17 financial year the AGSA requested the DLCA to disclose all transactions above R 2 million that were approved by the Head of the Entity, as irregular expenditure, with the view that both parties will seek legal opinion on the matter in the 2016/17 financial year. The DLCA obtained the legal opinion, in the 2016/17 financial year from Senior Counsel who advised that DLCA was well within the legal prescripts on this matter.

The AGSA sought National Treasury's opinion on the matter to which the National Treasury advised that the framework delegating the powers of the Accounting Officer to the Head of Entity is valid.

PROGRESS

- In the previous year, the DLCA introduced an sms notification service. An sms is sent out to notify the applicant when the driving licence application has been received, and when the card is ready for collection. In the 2017/18 financial year, the service was extended where an sms was sent out to the applicant 1 month before the licence expired. This was implemented in March. The challenge with the notification system is that some DLTCs do not capture the cellphone numbers of the applicant. Some DLTCs has actually requested that the service be halted due to capacity constraints on their side.
- As at 31 March 2017, 105 LEUs have been deployed across 62 sites as part of the pilot phase. It was anticipated that the project will be completed in the 2017/18 financial year however, due to unavailability of resources (network points and provincial schedules) the project was delayed. In the year 2017-18, 855 LEUs were planned to be deployed, but only 777 were deployed across the country. It is anticipated that 174 LEUs that are outstanding will be installed in 2018/19 financial year.
- The design of the new card could not be taken for cabinet approval due to the changes in the leadership of the Ministry.
- The MOU for the adoption of service delivery improvement plan (SDIP) could not be signed as a result of the slow response from Provinces in signing the MOUs. The MOU is an agreement between the DLCA and the Province in relation to the Service Delivery Standards.
- Delivered the proof of concept for a mobile truck which can be used for renewal of driving licences during service delivery initiatives.

EXEMPTIONS OR DEVIATIONS RECEIVED FROM NATIONAL TREASURY

During the reporting period under review, in the few instances where it was impractical to call for bids /tenders, the Entity applied Treasury Regulations 16A.6.4 to procure goods and services. The majority being due to the nature of the raw material used in the card production process and maintenance of production machine. These deviations were reported and noted by the National Treasury as required by the practice notes.

APPROVAL

The Annual Financial Statements set out on pages 70 to 123 have been approved by the Accounting Officer.

Mr. Collins Letsoalo
Acting Head of Entity
Driving Licence Account
Date: 21/09/2018

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed throughout the Annual Report are consistent. The Annual Report is complete, accurate and is free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on the Annual Report, as issued by National Treasury. The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Account Practice ("GRAP"), and the relevant frameworks and guidelines issued by the National Treasury.

The Accounting Officer is responsible for the preparation of the Annual Financial Statements, and for the judgments made in this information. The Accounting Officer is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements. In my opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the Trading Entity for the financial year ended 31 March 2018.

Yours faithfully,

Mr. Chris Hlabisa
Acting Director General
Driving Licence Account
Date: 21/09/2018

Mr. Collins Letsoalo
Acting Head of Entity
Driving Licence Account
Date: 21/09/2018

STRATEGIC OVERVIEW

Vision

To be the trusted leader in the provision of authentic, secure and quality driving licence cards.

Mission

To achieve our vision we will:

- Prioritise service delivery towards the satisfaction of all our clients;
- Continuously evolve our delivery in line with technology and innovation;
- Foster collaborative relationships with all relevant regulatory stakeholders; and
- Inspire and empower human capital to nature excellence

DLCA Values

Value	Principle
People cantered	We are here to serve you our customers. Our people are our enduring advantage. Their calibre, passion and commitment sets us apart. We value transformation and encourage diversity. Performance counts.
Accountability	We are focused on delivering, and we do what we say we will do. We hold ourselves accountable to our work, our behaviour, our ethics and our actions.
Integrity	We maintain high level of transparency, honesty, fairness, and respect when we deal with each other, our customers and our stakeholders.
Excellence	We are inspired by excellence in everything we do. We strive for exceptional business standards, superior performance and professionalism within a framework of sound governance and affordability.
Passion	We love what we do. We are passionate about our brand and promote a positive, energizing, optimistic and fun environment. Our reputation relies on advocacy and enthusiasm of every employee.

The Entity strives to put people first, render affordable services, ensure accountability and transparency whilst maintaining sustainable operations in all key strategic decisions of the Entity.

— LEGISLATIVE AND OTHER MANDATES

National Road Traffic Act 93 of 1996, Section 12, stipulates that no person shall drive a motor vehicle on a public road without a driving licence and Section 13 places responsibility for issuing licences authorizing the driving of a motor vehicle to the Driving Licence Testing Centre (DLTC).

National Road Traffic Regulations 108 of 2000, governs the issuance of driver's licenses by prescribing the procedures to be undertaken by driver's licence testing centres and the card production facility when issuing the driver's licence and the payment of card production fees.

Treasury Regulations of May 2000 Paragraph 19.2.1 defines a Trading Entity as an Entity operating within the administration of a department. In 2007, National Treasury approved the establishment of the Driving Licence Card Account Trading Entity as well as that the Accounting Officer for the Department of Transport must be the Accounting Officer for the trading entity.

Treasury Regulations Paragraph 19.3.2 states that the head of the trading entity is accountable to the accounting officer of the department operating that trading entity and must forward all reports or approvals required in the Act via the accounting officer of the department

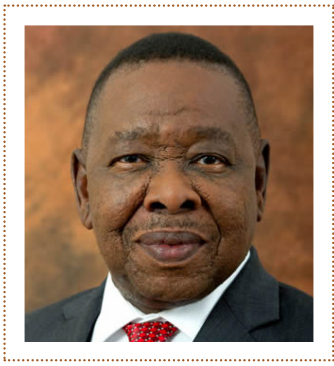
Treasury Regulations Paragraph 19.5.3 states that the Head of the Trading Entity must review rates for user charges at least annually before the budget, and any tariff increases are subject to approval by the relevant treasury.

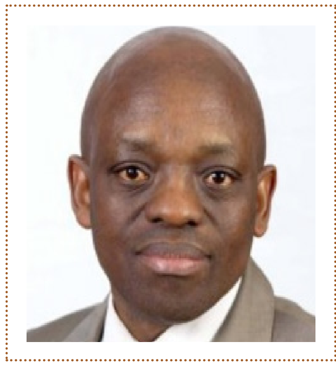
The approved rates by Treasury are gazetted by the Minister of Transport through the Government Gazette.

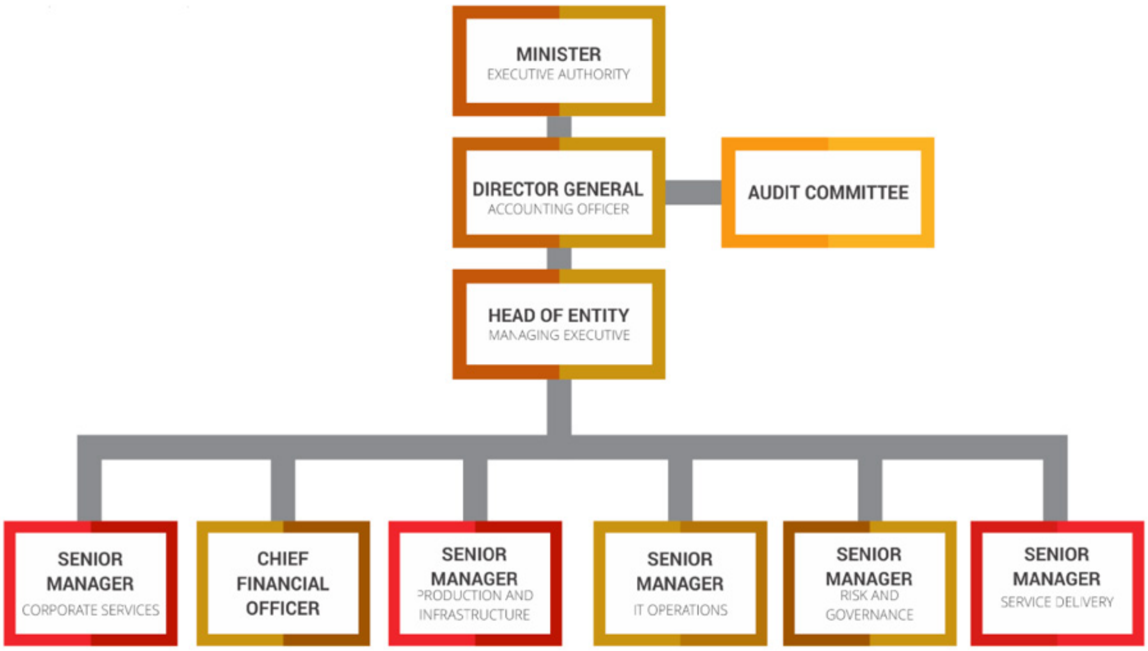
Treasury Regulations Paragraph 19.8.3 states that the relevant treasury may direct that the annual report and financial statements of the trading entity be incorporated into those of the department responsible for that trading entity.

The DLCA has finalise the above organizational structure to ensure effective and efficient execution of its mandate. The areas of Service Delivery and Production

DLCA ORGANIZATIONAL STRUCTURE







and Infrastructure Management functions are areas of future growth as they will form the core of the DLCA mandate.

The above organogram depicts the proposed structure of the DLCA that is awaiting approval by the Director General of the Department of Transport. The positions, Production and Infrastructure, Corporate Services (including HR functions), and Service Delivery functions are new and were added since the takeover of the Card Production Facility in May 2015.

— PART B

PERFORMANCE INFORMATION

AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

OVERVIEW OF THE TRADING ENTITY'S PERFORMANCE

ORGANISATIONAL ENVIRONMENT

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

STRATEGIC OUTCOME- ORIENTATED GOALS

REPORT AGAINST PLANNED DELIVERABLES FOR DRIVING LICENCE ACCOUNT TRADING ENTITY

LINKING PERFORMANCE WITH BUDGETS

CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

— AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs certain audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The AGSA selected Production and Infrastructure management programmes for the audit of predetermined objectives.

The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the Auditor's Report. *Refer to page 59.*

— OVERVIEW OF THE TRADING ENTITY'S PERFORMANCE

Service Delivery Environment

Since the DLCA took over the card production facility, the production and delivery of driving licence cards ordered during the year 2017/18 was achieved satisfactorily.

Administration

Provision of strategic leadership of the Trading Entity is undertaken through the Head of the Entity as delegated by the Accounting Officer (DG). The senior management is responsible for organising, managing and administering daily operations of the Trading Entity.

Manufacturing of the credit card format driving licence and maintenance layout

In its second year and the helm of card production, the DLCA has successfully produced and delivered 2.5 million cards with an average card production of 12 days for the year under review. The following table outline the production and delivery of cards per province.

Table 5 - Number of cards produced and delivered

Province	Produced	Delivered	Orders received	Spoiled/ cancelled orders	Average production Days 2017/18
Eastern Cape	171 332	171 714	177 012	2 994	12
Free State	115 162	115 162	117 790	1 994	11
Gauteng	880 269	880 173	915 058	14 598	10
Kwa-Zulu Natal	403 058	402 739	412 126	5 343	11
Limpopo	221 550	221 551	224 925	2 423	12
Mpumalanga	210 488	209 313	220 374	5 789	12
North West	113 036	111 587	117 876	1 571	13
Northern Cape	48 782	48 613	50 387	557	14
Western Cape	387 639	387 508	401 310	3 515	12
Totals	**2 551 316**	**2 548 360**	**2 636 858**	**38 784**	**12**

From 1 April 2017 to 31 March 2018 the DLCA received 2 636 858 driver's license cards orders for production. From those orders received, successfully produced 2 551 316 cards, and delivered 2 548 360. The difference is due to the spoiled cards, and those orders that were received in the last week of the financial year. The Entity was able to produce cards on the average of 12 days of the card order being placed.

In an effort to improve debt collection, the DLCA implemented a policy of withholding cards for those DLTCs that do honour their payment obligations. The table below show number of cards that were held back and number of DLTC's per province.

Table 6 - Number of cards held back due to accounts in arrears on 31st March 2018

Province	Number of Cards	Number of DLTC's
Eastern Cape	455	3
Free State	0	0
Gauteng Province	0	0
Kwa-Zulu Natal	419	2
Limpopo	6	1
Mpumalanga	1357	4
North West	2237	6
Northern Cape	357	5
Western Cape	128	5
Total	**4959**	**26**

In the year under review, 4959 cards from 26 DLTCs were held back.

Table 7 - Number of cards of DLTCs in arrears that were released

Province	Number of Cards	Number of DLTC's
Eastern Cape	3842	16
Free State	-	-
Kwa-Zulu Natal	22753	20
Gauteng Province	-	-
Limpopo	2258	7
Mpumalanga	10882	21
North West	4795	11
Northern Cape	1155	10
Western Cape	1263	12
Total	**46948**	**97**

In year 2017-2018, there were 46948 cards from 97 DLTC's in arrears that were realised.

Provision of enrolment equipment

Enrolment equipment is used to capture the facial, fingerprint and signature images that appear on the driving licence card. In January 2016, the DLCA signed a contract with Mulbhauer ID Services GmbH – a Germany company to replace the 911 old live capture units (LCUs) procured in 2008 with 1000 live enrolment units (LEUs).

Features of the new LEUs include:

- The ability to capture, store and securely transmit personal information;
- Have facial recognition capability, so that the photos taken comply with International Civil Aviation Organisation (ICAO) standards;
- The fingerprint device that can read all ten fingerprints even at an epidermal level;
- Be able to detect poor picture and fingerprint quality, and reject it at the source (i.e. DLTCs); and
- Equipment is industrial-grade, thereby durable.

Table 8 - Live Capture Units and Live Enrolment Units per Province

Province	LEUs installed 2017/18
Eastern Cape	95
Free State	75
Gauteng	162
Kwa-Zulu Natal	102
Limpopo	62
Mpumalanga	73
North West	53
Northern Cape	6
Western Cape	94
Total	**777**

At the end of the financial year, all the Provinces had been deployed except for Northern Cape. Not all LEUs could be deployed due to faulty or unavailable network points at DLTCs. As a result, those DLTCs still had LCUs installed.

Maintenance of enrolment units

The maintenance of the LCUs was contracted to 9 small, micro and medium enterprises (SMME), with each SMME allocated a province. The maintenance contract will be expiring in August 2018.

Table 9 - Call-answering service on maintenance of Live Capture Units

Province	Number of LEU calls logged 2017/18	Number of LCU calls logged 2017/18	Number of calls logged 2016/17
Eastern Cape	324	56	58
Free State	235	131	398
KwaZulu Natal	262	2	112
Gauteng	1208	334	814
Limpopo	124	131	257
Mpumalanga	190	172	305
North West	169	19	159
Northern Cape	129	88	82
Western Cape	496	274	523
Total	**3137**	**1207**	**2708**

For the LCU, all calls are logged on the e-NaTIS system and a technician is assigned to attend and resolve the calls. Once the call has been resolved, the technician closes the call on the system. The majority of the calls are related to the parts due to the aging LCU technology.

For the LEUs, DLTCs log calls to the Provincial Helpdesks who in turn log calls via phone, email or online to the LEU Service Desk. The Service Desk would then try to resolve the call remotely or send a technician if required.

— ORGANISATIONAL ENVIRONMENT

The organisational environment over the reporting period was relatively challenging, with the DLCA taking total control and management of the card production facility. The Head of Entity was appointed by the Department, on a secondment basis, from April 2015.

The temporary appointment of staff has an impact on employee morale. Finalisation of the organisational structure will ensure stability for the employees, thus improving morale. Employees continue to work extraordinary hours to ensure efficient service delivery. The Entity is fast-tracking the appointment of permanent executives, as well as expanding the current structure to ensure that all functions are performed effectively by officials – with the right skills and expertise, in order to deliver an excellent service to the public.

— KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

DLCA comply with the Treasury Regulations as amended, internally the DLCA has developed its own policies to inform and strengthen the internal controls.

— STRATEGIC OUTCOME- ORIENTATED GOALS

The Department has seven strategic outcome orientated goals of these goals, the Entity contributes to one goal, which is: Strategic Outcome-Orientated Goal 2: A transport sector that is safe and secure.

The table below indicates the Entity's performance against the planned deliverables.

— REPORT AGAINST PLANNED DELIVERABLES FOR DRIVING LICENCE ACCOUNT TRADING ENTITY

Programme: Administration

Purpose: To provide effective Leadership, strategic management and corporate support to the Entity

STRATEGIC OBJECTIVE: REPOSITIONING THE ORGANISATION THROUGH IMPROVING PROCESSES AND PROCEDURES IN ACCORDANCE WITH APPLICABLE LAWS AND REGULATIONS ON AN ONGOING BASIS					
Objective Statement: Annually review the strategic plans and annual performance plans and organisational structure to ensure that the Entity is compliant and can deliver on its mandate.					
Performance indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Performance 2017/18	Deviation from Planned target to actual achievement	Reason for deviation
Percentage of vacant posts filled as per approved structure	New performance indicator	10% of vacant posts filled as per approved structure	The structure has been updated and is awaiting approval by the DG of the Department of Transport.	Not Achieved	The structure has been updated and is awaiting approval by the DG of the Department of Transport.
Annually review and update the strategic plans and annual performance plans as prescribed by relevant frameworks	The strategic and annual performance plan have been approved	Annually review of strategic plans and APP as prescribed by relevant frameworks	The Strategic Plan and the Annual Performance Plan were reviewed	Achieved	N/A
Annual Assessment of the compliance to ISO 9001 standards certification by relevant certification body	Annual assessment of the Compliance to ISO 9001 standards certification was conducted by SABS	Perform one internal 9001 ISO audit con-ducted by a 3rd party	Annual Assessment of the compliance to ISO 9001 standards certification was conducted by SABS	Achieved	N/A

Programme: Production
Purpose: To produce and deliver high quality driving licence cards annually.

STRATEGIC OBJECTIVE: TO PRODUCE AND DELIVER A HIGHLY SECURE, QUALITY AND DURABLE DRIVING LICENCE					
Objective Statement: To ensure that driving licence cards are produced within 10 days and delivered within 7 days in line with applicable standards.					
Performance indicator	**Actual Achievement 2016/17**	**Planned target 2017/18**	**Actual Performance 2017/18**	**Deviation from Planned target to actual achievement**	**Reason for deviation**
Number of cards produced annually	New performance indicator	2,300,000	2,551,316	Achieved	More cards were produced as a results of were as in demand
Percentage of driving licence cards produced within 10 working days	New performance indicator	80% of driving licence cards produced within 10 working days	63%	Not Achieved	Delay in the delivery of NCD froms as a result of delays from Nationa Treasury.
Percentage of driving licence cards delivered within 7 working days.	90% of driving licence cards delivered within 7 working days	80% of driving licence cards delivered within 7 working days	91%	Achieved	Improved performance by Courier company. Also, more cards were delivered due to an increase in demand.
Number of milestones reached in the roll out of the new driving licence card	The new card design has not yet been approved	At least 2 milestones reached in the roll out of the new DL card	The new card design has not yet been approved	Not Achieved	The new card design has not yet been approved due to the changes in the Ministry.

Programme: Infrastructure Management
Purpose: To provide effective and efficient ICT infrastructure

STRATEGIC OBJECTIVE: TO PROVIDE 95% UPTIME OF ENROLMENT UNIT AND RELATED NETWORK INFRASTRUCTURE					
Objective Statement: Provide ICT infrastructure to allow for the capturing of information required in the production of driving licence cards as well as supporting the related business functions.					
Performance indicator	Actual Achievement 2016/17	Planned target 2017/18	Actual Performance 2017/18	Deviation from Planned target to actual achievement	Reason for deviation
Percentage of external calls logged and resolved	New performance indicator	95% of all calls logged resolved within 7 days	95% of all calls logged resolved within 7 days	Achieved	N/A
Number of live enrolment units (LEUs) commissioned	New performance indicator	855 of LEU commissioned	777 LEU Commissioned	Not Achieved	1. Faulty Network points. 2. Unavailablity of Province for deployment scheduling.
Percentage of enrolment equipment (LEUs and LCUs) maintained	New performance indicator	95% of enrolment equipment maintained	95% of the enrolment equipment maintained	Achieved	N/A

Programme: Service Delivery
Purpose: To improve operational effectiveness and customer services in line with Batho-Pele Principles

STRATEGIC OBJECTIVE: TO IMPROVE SERVICE DELIVERY THROUGH THE IMPLEMENTATION OF IDENTIFIED SERVICE DELIVERY IMPLEMENTATION INITIATIVES					
Objective Statement: Improve services delivery to stakeholders internally and externally as measured by the client satisfactory survey and service level agreement.					
Performance indicator	Actual Achievement 2016/17	Planned target 2017/18	Actual Performance 2017/18	Deviation from Planned target to actual achievement	Reason for deviation
Percentage of DLTC complaints resolved	New performance indicator	95% of DTLC complaints are resolved within 7 working days	95% of DTLC complaints are resolved within 7 working days	Achieved	N/A
Adoption of the service delivery improvement plan by 5 of the Provinces	New performance indicator	MOU signed by 5 provinces adopting the service delivery improvement plan	The MOU has been drafted	Not Achieved	Awaiting inputs from provinces on the draft MOU
Full implementation of the initiatives prioritised by EXCO in the SDIP	New performance indicator	Implementation of 2 initiatives as identified in the SDIP	1. SMS enhancement SMS reminder to renew licences is implemented 2. Mobile trucks Implementation of mobile truck service for the renewal of driving licences	Achieved	N/A

MAIN REASONS FOR DEVIATIONS (OVER/UNDER PERFORMANCE)

- The following were the main reasons for deviation:
- The approval of the new design of the driving licence card by the cabinet is taking longer than envisaged, the entity is still awaiting ministerial decision regarding the engagement with GPW;
- There were challenges with the deployment of the units due to faulty network points and unavailability of the province;
- The MOU was not signed due to the non-compliant of the provinces and;
- The new organisational structure has been updated and is awaiting approval by the DG of the Department of Transport.

CHANGES TO PLANNED TARGETS

There were no changes to the planned targets during the year.

— LINKING PERFORMANCE WITH BUDGETS

During the 2017/18 financial year, the expenditure for the Entity was R136 million, which represents an increase as compared to the 2016/17 financial year were the entity recorded expenditure of R116 million.

Repairs and maintenance costs increased from R13 million to R16 million compared to 2016/17 financial year. This is due to the deployment of new Live Enrolment Units (LEUs) and the production machine that had to be maintained.

The cost of sales amount was below budget due to a discount received when procuring material amounting to R4 million and a foreign exchange gain earned on acquiring inventory.

Interest received amount to R27 million in the 2017/18 financial year. This was above budget as the funds were budgeted to be used in the project of replacing the Live Enrolment Units (LEUs). The LEU project is not yet fully implemented as it is still in the pilot phase.

Table 10 - Live Capture Units and Live Enrolment Units per Province

Description	2017/18			2016/17		
	Budget	Actual	(over) under	Budget	Actual	(Over) under
	R'000	R'000	R'000	R'000	R'000	R'000
Cost of Sales	74 688	68 893	5 795	74 710	60 900	13 810
Contract Services	6 408	3 219	3 189	8 104	2 550	5 554
Repairs and maintenance	11 022	16 257	-5 235	15 151	13 364	1 787
Depreciation	44 141	16 868	27 272	33 294	10 035	23 259
Employee Benefits	34 845	12 668	22 177	19 975	11 171	8 804
Other Expenses	35 223	18 827	16 396	54 136	18 187	35 949
Total	**206 327**	**136 733**	**65 594**	**205 370**	**116 207**	**89 163**

— CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

To enhance service delivery, the Entity is in the process of acquiring new Live Enrolment Units (LEU), which have been piloted to Driving licence Testing Centers (DLTCs) during the 2016/17 financial year. These LEUs will be fully rolled out during the 2018/19 financial year.

PHYSICAL ASSET VERIFICATION

In order to ensure that proper control systems exist for assets and that all preventative mechanisms are in place to eliminate theft, losses, wastage and misuse, and the stock levels are at an optimum and economical level, the Driving Licence Card Account performs annual physical asset verification to confirm the existence and valuation of these assets.

MAINTENANCE OF LIVE CAPTURE UNITS

As at 31 March 2018 most of these units had reached the end of their useful lives, and therefore required replacement. Consequently, the repairs and maintenance costs of these Live Capture Units are borne by the Entity to the amount of about R4.8 Million.

PART B
PERFORMANCE INFORMATION

— PART C

GOVERNANCE

INTRODUCTION

Commitment by the Entity to maintain the highest standards of governance is fundamental to the management of public finances and resources. Users want assurance that the entity has good governance structures in place to effectively, efficiently and economically utilise the state resources.

RISK MANAGEMENT

The Accounting Officer of the Department of Transport takes responsibility for implementing Enterprise Risk Management in accordance with the DLCA Risk Management Strategic Framework, as informed by the National Treasury Public Sector Risk Management Framework. This responsibility were delegated to the Head of Entity in terms of section 44 of PFMA.

To further embed risk management within the Entity, the Risk Management Policy was adopted, which sets out the Entity's overall intention with regard to Risk Management. During the period under review, DLCA assessed its risks relative to its Strategic and Annual Performance Plan. Risk management is a standing agenda item at operations Committee, Executive Committee and Audit Committee where risk management related matters are discussed.

Strategic and operational risk assessments are conducted on a quarterly basis, in order to review and update the existing risks and identify emerging risks.

The Risk Management Committee meets on a quarterly basis and provides guidance and direction over the entire system of risk management, and furnishes the Head of Entity with the reports in respect of performance of risk management. The Risk Management Committee ratifies, prioritises and further recommends to the Accounting Officer which significant risks are mitigated with an appropriate risk response/treatment, in order to meet the Entity's strategic objectives.

The Audit Committee provides an independent oversight of the Entity's system of risk management. The Audit Committee is furnished with quarterly risk management progress reports and risk profiles, and registers to execute their independent oversight role. The Audit Committee's evaluation of the risk management process is in relation to the progress of implementation of the Entity's annual risk management implementation plan and significant/strategic governance, as this is fundamental to the management of public finances and resources. In assessing adherence to the governance principles, a compliance function is in place whereby the level of compliance with applicable legislations is monitored at regular intervals.

The Entity embraces the four values underpinning good governance: fairness, accountability, transparency and responsibility.

— FRAUD AND CORRUPTION

Whistle blowing is encouraged through the whistle-blowing policy, which requires officials to report incidents of actual or suspected fraud or corruption to the national anti-corruption hotline. A forensic and investigation section within the Department of Transport deals with cases reported to the national anti-corruption hotline, and is responsible for the implementation of the Anti-corruption and Fraud prevention policy. The Entity is currently implementing its own Anti-Fraud and Corruption Prevention Plans.

— MINIMISING CONFLICT OF INTEREST

The Entity has develop its own Supply Chain Management policies and processes which are awaiting approval by the head of Entity. The Entity is currently using the Supply Chain Management Processes and Policies as implemented by the Department of Transport. The process requires the disclosure of conflict of interest from all those involved during the procurement process.

— CODE OF CONDUCT

The Trading Entity is adhering to the Public Service Code of Conduct as enforced and monitored by the Department of Transport.

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Trading Entity is adhering to the Health, Safety and Environmental Standards as enforced and monitored by the Health and Safety Committee.

PORTFOLIO COMMITTEES

The entity is accountable to Portfolio committee of the Department of Transport

SCOPA RESOLUTIONS

There was no Scopa resolutions that affected the 2017/18 annual report.

PRIOR MODIFICATIONS TO AUDIT REPORTS

There was no Prior Modifications to Audit report that affected the 2017/18 annual report.

INTERNAL CONTROL

To enable the DLCA to meet its responsibility to provide reliable financial information, the DLCA maintains accounting systems and practices, adequately supported by a system of internal controls. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management authority and that the assets are adequately safeguarded.

The Internal Audit function, which is outsourced to PWC, monitors the effectiveness and efficiency of the internal control systems, report their findings and make recommendations to management and the Audit Committee of the Entity, and monitors whether corrective action has been taken. These controls focus on critical risk areas in line with the principles of the cost of control versus the benefit thereof.

INTERNAL AUDIT

The mission of Internal Audit is to provide an independent, objective assurance and consulting service – designed to add value and improve the DLCA's operations, and to help accomplish objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Audit unit's formal scope of work is to determine whether the organisation's network of risk management, control and governance processes as designed and represented by management, is adequate and functioning in a manner to ensure the achievement of its objectives. Internal Audit evaluates and improves the overall adequacy and effectiveness of:

— GOVERNANCE

The Internal Audit's activity assesses and makes appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation;
- Ensuring effective organisation performance management and accountability;
- Communicating risk and control information to appropriate areas of the organisation; and
- Coordinating the activities of and communicating information among the executive authority, internal and external auditors and management.

— RISK MANAGEMENT

The Internal Audit activity evaluates the effectiveness, and contributes to the improvement of risk management processes. Determining whether risk management processes are effective is a judgment resulting from the Internal Auditor's assessment that:

- Organisational objectives support and align with the organisation's mission;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risks with the organisation's risk appetite;
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff and management to carry out their responsibilities.

CONTROLS

The Internal Audit's activity evaluates the adequacy and effectiveness of the internal controls and recommendations for improvement, which should encompass the following:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets;
- Compliance with laws, regulations and contracts;
- Key activities and objectives of internal audit;
- Driving Licence Production Process;
- Contract Management;
- Asset Management;
- Business Planning;
- Debtors Management;
- Follow-up Audits; and
- Year-end Reporting.

AUDIT COMMITTEES REPORT

It is an honour to present the Audit Committee report for the 2017/18 financial year.

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee is an independent committee responsible for oversight of the Entity's controls, governance and risk management.

In pursuance of its responsibilities as outline in Section 3.2.7(a)(b) of the treasury regulations and section 38(1)(a) of the Public Finance Management Act, the Audit Committee approved the Internal Audit's three (3) year rolling plan as well as the 2017/18 Annual Audit Plan.

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.

Table 11 - Audit Committee Members

Name	Qualifications	Internal/ external	If internal, position in the department	Date appointed	Date resigned/ contract expired	Number of meetings attended
Mr. Peter Mukheli	Bcompt. (Hons.) CIA	External	N/A	01 April 2014	30 May 2018	2
Mr. Zola Fihlani	H. Dip. (Tax Law), H. Dip. (International Tax Law).Mcom. (Tax), CA (SA)	External	N/A	01 September 2013	N/A	5
Ms. Nomthandazo Mdanda	Bcom. (Hons.) MBA	External	N/A	01 September 2013	N/A	6
Zuziwe Ntsalaze	Bcom (Hons) MBA CA SA	External	N/A	27 November 2016	N/A	4
Miseria Nyathi	Bcom (Hons) MBA	External	N/A	27 November 2016	N/A	5

The following members started attending meetings during the period under review:

- Miseria Nyathi
- Zuziwe Ntsalaze

— THE EFFECTIVENESS OF INTERNAL CONTROL

Internal Audit functions were outsourced to PWC during the year under review, their contract expired at the end of November 2017, the Entity contracted Rakoma inc to take over the functions of Internal Audit.

The AGSA's audit revealed that internal audit did not performed a review on Safeguarding of Assets, the Audit committee will ensure that appropriate steps are taken to address the matter.

In the prior year audit, the AGSA audit indicated that Supply Chain Management is an area that need considerable attention, The Audit Committee is pleased to report that SCM showed a considerable improvement in the year under review.

RISK MANAGEMENT

The DLCA has an approved Risk Management Plan, Framework, and the Risk Management Committee Charter. These documents are reviewed on a yearly basis and/or when the need arises. The Risk Management Committee table its report quarterly at the Audit Committee on progress made in implementing the plan, through the Senior Manager: Risk and Governance. The report is meant to allow the Audit Committee to fully exercise its oversight responsibility over Risk Management.

Risk Management is embedded in the activities of management and other operations for increased risk ownership within the organisation. The risk assessments workshop was conducted during the year culminating into the entity overall risk profile. The Entity uses the Operations Committee to track the progress in the management of operational risks. The Senior Manager: Risk and Governance reports the progress to the Risk Management Committee.

FRAUD AND CORRUPTION

AGSA audit flagged possible irregularities in contracts awarded by the Entity during the year under review, the Entity contracted Nkonki inc to conduct investigations on the matter, the investigation was concluded at the end of March 2018.

EVALUATION OF FINANCIAL STATEMENTS

The Entity held a special Audit Committee on the 29th May 2018 to review the Annual Financial Statements prepared by the Entity.

AUDITOR GENERAL'S REPORT

We have reviewed the Entity's implementation plan for audit issues raised in the previous year and we are satisfied that the matters have been adequately resolved and that the Entity will continue to implement the Auditor General's recommendations. 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.

____

Chairperson of the Audit Committee
Driving Licence Card Account Trading Entity
Date:

PART C
GOVERNANCE

— PART D

HUMAN RESOURCES

INTRODUCTION

HUMAN RESOURCES OVERSIGHT STATISTICS

INTRODUCTION

The approved Entity structure does not take into account the positions in production as it was approved before the take-over of production facility. Since the take-over of the production facility, there was a need to create the Corporate Services, Supply Chain Management, Production and Service Delivery functions to ensure the effective operations of the Entity. Some Officials from the Department of Transport were seconded, and other officials were appointed on a contract basis to perform the functions whilst the Entity was in the process of developing the structure, which will include the functions on the establishment. The Entity contracted 20 staff members from Prodiba to work in registration, production, quality control and stores.

The structure has therefore increased to 50 employees currently. The Entity started with the development of the new organizational structure, which will include all the essential functions to enable effective and efficient operations and service delivery. All the newly identified positions have been evaluated and graded; the proposed structure is expected to be approved and implemented in the 2018/19 financial year.

Contract positions were created to ensure business continuity in the production section. These employees could not be appointed permanently, as their positions were not in the approved structure, however, their services are the most vital in the production and delivering of the driving licence cards.

HUMAN RESOURCES OVERSIGHT STATISTICS

Personnel related expenditure

The following tables summarise the final audited personnel-related expenditure by programme and by salary bands. In particular, it provides an indication of the following:

- Amount spent on personnel
- Amount spent on salaries, overtime, homeowner's allowances and medical aid.

Table 12 - Personnel costs by salary band for the period 1 April 2017 to 31 March 2018

Salary band	Personnel expenditure R'000	% of total personnel costs	No. of employees	Average personnel cost per employee R'000
Senior and Top management (Levels 13-16)	3, 886	23%	28	139
Highly skilled supervision (Levels 9-12)	5, 182	30%	8	648
Highly skilled production (Levels 1-8)	8, 203	47%	4	2,051
Total	**17,271**	**100%**	**40**	**2,837**

Table 13 - Salaries, Overtime, Homeowner's Allowance and Medical Aid by salary band for the period 1 April 2017 to 31 March 2018

Salary band	BASIC SALARY		OVERTIME		HOME OWNERS ALLOWANCE		MEDICAL AID	
	Amount R'000	% of total personnel costs	Amount R'000	Overtime as a % of total personnel costs	Amount R'000	HOA as a % of total personnel costs	Amount R'000	Medical aid % of total personnel
Senior and Top management (Levels 13-16)	3, 886	22,50%	-	-	-	-	-	-
Highly skilled supervision (Levels 9-12)	4, 611	26,70%	511	2,96%	31	0,18%	29	0,17%
Highly skilled production (Levels 1-8)	7, 413	42,92%	744	4,31%	29	0,017%	17	0,10%
Total	**15,910**	**92,12%**	**1,255**	**7,27%**	**59**	**0,35%**	**46**	**0,27%**

Level 13 – 16: Senior Managers and above

- Highly skilled Supervision: Officials on salary level 9 – 12
- Highly skilled Production: Officials on salary level 1 – 8

Employment and Vacancies

The Entity has identified critical occupations that need to be monitored. In terms of current regulations, it is possible to create a post on the establishment that can be occupied by more than one employee. Therefore, the vacancy rate reflects the percentage of posts that are not filled.

Table 14 - Employment and vacancies by salary band as at 31 March 2018

Salary band	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
Senior and Top management (Levels 13-16)	4	3	25%	1
Highly skilled supervision (Levels 9-12)	11	7	36%	4
Highly skilled production (Levels 1-8)	12	10	17%	2
Total	**27**	**20**	**26%**	**7**

Filling of SMS Posts

Table 15 - SMS post information as at 31 March 2018

SMS level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Salary Level 14	1	-	-	1	100%
Salary Level 13	3	3	100%	0	-
Total	**4**	**3**	**75%**	**1**	**25%**

REASONS FOR VACANCIES NOT FILLED WITHIN SIX MONTHS

There was a need to revise the organizational structure after the take-over of the production facility, to include functions and positions, which are currently not on the structure. The revised organizational structure is awaiting for approval by the DG

EMPLOYMENT CHANGE

Table 16 - Annual turnover rates by salary band for the period 1 April 2017 to 31 March 2018

Salary Band	Number of employees at beginning of period -1 April 2017	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Management (Levels 13-14)	4	1	-	-
(Levels 1-12)	36	10	3	-

Table 17 - Reasons why staff left the Entity for the period 1 April 2017 to 31 March 2018

Termination type	Number	% of Total Resignations
Death	-	-
Resignation	1	33%
Expiry of contract	2	67%
Dismissal – operational changes	-	-
Dismissal – misconduct	-	-
Dismissal – inefficiency	-	-
Discharged due to ill-health	-	-
Retirement	-	-
Transfer to other Public Service Departments	-	-
Other	-	-
Total	3	100%

EMPLOYMENT EQUITY

Table18 - Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2018

Occupational Category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and Managers	3	-	-	-	2	-	-	-	5
Professionals	5	-	-	1	6	-	1	1	14
Technicians and associate professionals	6	3	-	4	15	1	-	2	31

Table 19 - Total number of employees (including employees with disabilities) in each of the following occupational bands as at 31 March 2018

Occupational band	Male	Female	Total
Top Management	1	-	1
Senior Management	2	2	4
Professionally qualified and experienced specialists and mid-management	5	8	13
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	2	3	5
Semi-skilled and discretionary decision-making	11	16	27
Unskilled and defined decision making	-	-	-
Total	**21**	**29**	**50**

Table 20 - Recruitment for the period 1 April 2017 to 31 March 2018

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	-	-	-	-	-	-	-	-	-
Senior Management	1	-	-	-	-	-	-	-	1
Professionally qualified and experienced specialists and mid-management	1	-	-	-	-	-	-	1	2
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	1	-	-	-	6	1	-	-	8
Semi-skilled and discretionary decision-making		-	-	-	-	-	-	-	
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-
Total	**3**	**-**	**-**	**-**	**6**	**1**	**-**	**1**	**11**

Table 21 - Terminations for the period 1 April 2017 to 31 March 2018

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	-	-	-	-	-	-	-	-	-
Senior Management	-	-	-	-	-	-	-	-	-
Professionally qualified and experienced specialists and mid-management	-	-	-	-	1	-	-	-	-
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	-	-	-	-	-	-	-	-	-
Semi-skilled and discretionary decision-making	-	-	-	-	-	-	-	--	-
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**

SIGNING OF PERFORMANCE AGREEMENTS BY SMS MEMBERS

All members of the SMS must conclude and sign performance agreements within specific timeframes. Information regarding the signing of performance agreements by SMS members, the reasons for not complying within the prescribed timeframes and disciplinary steps taken is presented here:

Table 22 - Signing of Performance Agreements by SMS members as at 31 March 2018

SMS Level	Total number of funded SMS posts	Total number of SMS Members	Total number of signed performance agreements	Signed performance agreements as a % of total number of SMS members
Salary level 13	3	4	4	-
Total	**3**	**4**	**4**	**-**

Table 23 - Annual Leave for the period 1 January 2017 to 31 December 2017

Salary band	Total days taken	Number of employees using annual leave	Average per employee
Lower skilled (Levels 1-2)	-	-	-
Skilled (Levels 3-5)	110,76	10	11.08
Highly skilled production (Levels 6-8)	495.68	23	21.55
Highly skilled supervision (Levels 9-12)	87.96	7	12.56
Senior management (Levels 13-16)	92	4	23
Total	**786.40**	**44**	**17.87**

UTILISATION OF CONSULTANTS

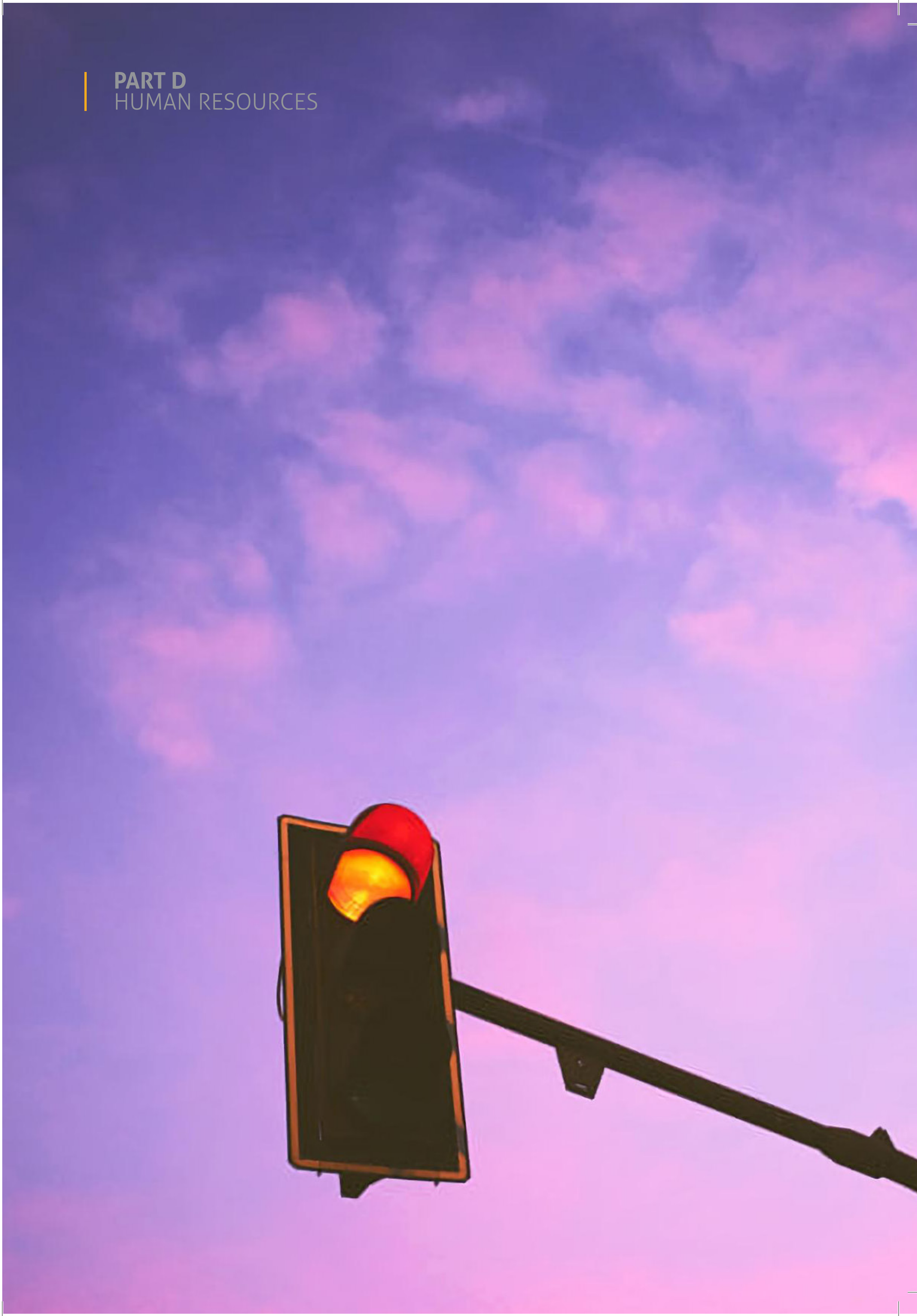
The following tables relate to information on the utilisation of consultants in the Entity. In terms of the Public Service Regulations "consultant" means a natural or juristic person or a partnership, who or which provides in terms of a specific contract on an ad hoc basis any of the following professional services to an Entity against remuneration received from any source:

(a) The rendering of expert advice.

(b) The drafting of proposals for the execution of specific tasks.

(c) The execution of a specific task, which is of a technical or intellectual nature, but excludes an employee of a department.

PART D
HUMAN RESOURCES



PART E

FINANCIAL PERFORMANCE

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE DRIVING LICENCE CARD ACCOUNT

REPORT ON THE FINANCIAL STATEMENTS

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Driving Licence Card Account set out on pages 70 to 123, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, and cash flow statement and statement of comparison of budget information with actual information for the year then ended, 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 Driving Licence Card Account as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards on Generally Recognised Accounting Practice (SA Standards of 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 this auditor's report.

4. I am independent of the trading 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 matters

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

Contingencies

7. As indicated in note 31 to the financial statements, the trading entity disclosed a significant uncertainty relating to an ongoing arbitration process. A service provider is being wound-up in the hands of the Master of the High Court and the ultimate outcome remains uncertain.

Irregular expenditure

8. As disclosed in note 33 to the financial statements, irregular expenditure to the amount of R86 million (2016-17: R86 million) was incurred, as the required procurement processes had not been followed. Included in the amounts disclosed is an amount of R64 million (2016-17: R52 million) that relates to contracts that were not approved in terms of the delegation framework.

Restatement of corresponding figures

9. As disclosed in note 35 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of errors in the financial statements of the trading entity at, and for the year ended, 31 March 2018.

Responsibilities of the accounting officer for the financial statements

10. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.

11. In preparing the financial statements, the accounting officer is responsible for assessing the Driving Licence Card Account'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 the accounting officer either intends to liquidate the trading entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

12. 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 the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the trading entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the

general notice, for the following selected programmes presented in the annual performance report of the trading entity for the year ended 31 March 2018:

PROGRAMMES	PAGES IN THE ANNUAL PERFORMANCE REPORT
Programme 2 – Production	32 – 32
Programme 3 – Infrastructure management	33 – 33

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

18. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:

Programme 3 – Infrastructure management

19. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of 2 of the 3 indicators relating to this programme. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report of the indicators listed below:

INDICATOR	TARGET
Percentage of external calls logged and resolved	95%
Percentage of enrolment equipment (LEUs and LCUs) maintained	95%

20. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programme:
    - Programme 2: Production

Other matters

21. I draw attention to the matters below.

Achievement of planned targets

22. Refer to the annual performance report on pages 31 to 34 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 19 to 20 of this report.

Adjustment of material misstatements

23. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of production and infrastructure management . As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

24. 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.

25. The material findings on compliance with specific matters in key legislations are as follows:

Financial statements, performance and annual reports

26. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 40(1)(b) of the PFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statement were corrected resulting in the financial statements receiving an unqualified opinion.

Strategic planning

27. Specific information systems that were established by the trading entity were inadequate to enable the monitoring of progress made towards achieving targets, core objectives and service delivery as required by Public Service Regulation 25(1)(e)(i) and (iii).

Procurement and contract management

28. A contract was awarded to a bidder based on pre-qualification criteria that differed from those stipulated in the original invitation for bidding, in contravention of the 2017 Preferential Procurement Regulation 4(1) and 4(2).

Expenditure management

29. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R86 million, as disclosed in note 33 to the annual financial statements, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. Included in the amounts disclosed is an amount of R64 million (2016-17: R52 million) that relates to contracts that were not approved in terms of the delegation framework.

Other information

30. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

31. 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.

32. 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.

33. The other information I obtained prior to the date of this auditor's report is in draft , and the final annual report is expected to be made available to me after 31 July 2018.

34. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement in this other information, I am required to report that fact.

35. After I receive and read this information, and if I conclude that there is a material misstatement, 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 retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

36. 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 on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

37. Capacity constraints within the entity as a result of the revised organisational structure not being approved and uncertainty on the continuation of the trading entity has negatively impacted the oversight function over financial and performance reporting and compliance monitoring.

38. Management did not adequately review and implement sufficient monitoring controls over the annual financial statements; annual performance report and compliance with legislation.

Other reports

39. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the trading entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

40. A forensic investigation was instituted by the trading entity into the procurement processes followed in the awarding of certain contracts; conduct of supply chain management officials involved the procurement process; and an information technology official's involvement in the theft of laptops. A final report has been issued with recommendations.

Auditor-General

Pretoria
31 July 2018

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 the procedures performed on reported performance information for selected programmes and on the trading entity'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 this 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 trading entity'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 the Driving Licence Card Accountability 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 this auditor's report. However, future events or conditions may cause a trading entity to cease continuing 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, where applicable, related safeguards.

Statement of Financial Position as at 31 March

Figures in Rand thousand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	3	28 581	7 890
Receivables from exchange transactions	4	20048	24 412
Receivables from non-exchange transactions	5	150	44
Prepayments	6	176	644
Cash and cash equivalents	7	429 785	380 423
		478 740	**413413**
Non-Current Assets			
Property, plant and equipment	8	124 953	30 670
Intangible assets	9	6 937	9156
		131 890	**39826**
Total Assets		**610 630**	**453 239**
Liabilities			
Current Liabilities			
Other financial liabilities	11	932	336
Trade and other Payables from exchange transations	10	81 714	17 278
		82 646	**17 614**
Total Liabilities		**82646**	**17 614**
Net Assets		**527 984**	**435 625**
Accumulated surplus		527 984	435 625

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods	12	202 302	190 818
Gain on foreign exchange	12	–	613
Interest received - investment	13	26 741	23110
Total revenue from exchange transactions		229 043	214 541
Revenue from non-exchange transactions			
Taxation revenue			
Donation	12	7	31
Administration fees	12	42	27
Total revenue from non-exchange transactions		49	58
Total revenue	12	229 092	214 599
Expenditure		(136 733)	(116 207)
Surplus for the year		92359	98392
Contracted services	14	(3 219)	(2 550)
Cost of sales	15	(68 893)	(60 900)
Debt Impairment	16	688	(174)
Depreciation and amortisation	17	(16 869)	(10 035)
Employee related costs	18	(12 668)	(11 171)
General Expenses	19	(17319)	(16 602)
Lease rentals on operating lease	20	(1 302)	(1 411)
Loss on disposal of assets		(90)	-
Loss on foreign exchange	21	(804)	-
Repairs and maintanance	22	(16 257)	(13 364)

Statement of Changes in Net Assets

Figures in Rand thousand	Accumulated surplus	Total net assets
Balance at 01 April 2016	**337 233**	**337 233**
Changes in net assets		
Surplus for the year	98 392	98 392
Total changes	98 392	98 392
Restated* Balance at 01 April 2017	**435 625**	**435 625**
Changes in net assets		
Surplus for the year	92 359	92 359
Total changes	92 359	92 359
Balance at 31 March 2018	**527 984**	**527 984**

Note(s)

Cash Flow Statement

Figures in Rand thousand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		207 248	188 095
Interest income		26 741	23 110
Other income		49	671
		234 038	211 876
Payments			
Employee costs		(12 660)	(10 616)
Suppliers		(62 824)	(82 748)
		(75 484)	(93 364)
Net cash flows from operating activities	23	158 554	118 512
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(109 411)	(23 385)
Purchase of other intangible assets	9	(377)	(10 144)
Net cash flows from investing activities		(109 788)	(33 529)
Cash flows from financing activities			
Repayment of other financial liabilities		596	(1 462)
Net cash flows from financing activities		596	(1 462)
Net lncrease/(decrease) In cash and cash equivalents		49 362	83 521
Cash and cash equivalents at the beginning of the year		380 423	296 902
Cash and cash equivalents at the end of the year	7	429 785	380 423

Statement of Comparism of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand thousand	Approved budget	Adjust-ments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transaction						
Sale of goods	210 488	**(28 759)**	181 729	202 302	**20 573**	27.1
Interest received - investment	3 806	20 760	24 566	26 741	2175	27.2
Total revenue from exchange transactions	214 294	(7 999)	206 295	229 043	22 748	
Revenue from non-exchange transactions						
Taxation revenue						-
Other income				7	7	-
Administration fees	0	32	32	42	10	-
Total revenue from non-exchange transactions	0	32	32	49	17	-
Total revenue	214 294	(7 967)	206 327	229 092	22 765	-
Expenditure						
Personnel	(21 267)	(13 578)	(34 845)	(12 668)	22177	27.3
Depreciation and amortisation	(30 054)	(14 087)	(44 141)	(16 869)	27 272	27.4
Repairs and maintanance	(16 090)	5 068	(11 022)	(16 257)	(5 235)	27.6
Lease rentals on operating lease	(6 500)	800	(5 700)	(1 302)	4398	-
Debt impairment	-	(534)	(534)	688	1 222	-
Contracted Services	(4 427)	(1 981)	(6 408)	(3 219)	3189	27.5
Cost of sales	(79 342)	4654	(74 688)	(68 893)	5 795	27.8
General Expenses	(55 129)	30240	(24 889)	(17319)	7 570	27.7
Total expenditure	(212 809)	10582	(202 227)	(135 839)	66388	-
Operating surplus						
Loss on disposal of assets and liabilities	-	-	-	(90)	(90)	-
Loss on foreign exchange	(1 485)	(2 615)	(4100)	(804)	3 296	-
	(1 485)	(2 615)	(4100)	(894)	3 206	-
Surplus before taxation	-	-	-	92 359	92 359	-
Actual Amount on Comparable Basis as Presented In the Budget and Actual Comparative Statement			-	92 359	92 359	-

Statement of Comparism of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand thousand	Approved budget	Adjust-ments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	8 300	87	**8 387**	28 581	20194	-
Receivables from exchange transactions	25 362	587	**25 949**	20 048	(5 901)	-
Receivables from non-exchange transactions	-	-	-	150	150	-
Prepayments	-	-	-	176	176	-
Cash and cash equivalents	71 564	151 784	223 348	429 785	206 437	-
	105 226	**152 458**	**257 684**	**478 740**	**221 056**	-
Non-Current Assets						
Property, plant and equipment	158 805	22422	181 227	124 953	(56 274)	
Intangible assets	-	14 112	14112	6 937	(7 175)	-
	158 805	**36 534**	**195 339**	**131 890**	**(63 449)**	-
Total Assets	**264 031**	**188 992**	**453 023**	**610 630**	**157 607**	-
Liabilities						
Current Liabilities						
Other financial liabilities	-	357	357	932	575	-
Trade and other Payables from exchange transations	15 421	(9 384)	6 037	81 716	75 679	-
Provisions	2 012	(432)	1 580		(1 580)	-
	17 433	(9 459)	7974	82 648	74674	-
Total liabilities	**17 433**	**(9 459)**	**7974**	**82 648**	**74674**	-
Net Assets	**246 598**	**198 451**	**445 049**	**527 982**	**82 933**	-
Reserves						
Accumulated surplus	246 598	198 451	**445 049**	527 982	**82 933**	-

Statement of Comparism of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand thousand	Approved budget	Adjust-ments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	210 520	**(8 783)**	**201 737**	207 248	**5 511**	-
Interest income	3 774	20 792	**24 566**	26 741	**2 175**	-
Other receipts	0	32	**32**	49	**17**	-
	214 294	**12 041**	**226 335**	**234 038**	**7 703**	**-**
Payments						
Employee costs	(21 267)	(13 587)	**(34 854)**	(12 660)	**22194**	-
Suppliers	(134 435)	(6 648)	**(141 083)**	(62 824)	**78 259**	-
	(155 702)	**(20 235)**	**(175 937)**	**(75 484)**	**100 453**	-
Net cash flows from operating activities	**58 592**	**(8 194)**	**50 398**	**158 554**	**108 156**	**-**
Cash flows from investing activities						
Purchase of property, plant and equipment	(116 460)	(84 040)	**(200 500)**	(109 411)	**91 089**	-
Purchase of other intangible assets	(12 200)	2 000	**(10 200)**	(377)	**9 823**	-
Repayment of loans	0	19 134	**19134**	596	**(18 538)**	-
Net cash flows from investing activities	**(128 660)**	**(62 906)**	**(191 566)**	**(109192)**	**82374**	-
Net increase/(decrease) in cashand cash equivalents	(70 068)	(71 100)	**(141 168)**	49 362	**190 530**	-
Cash and cash equivalents at the end of the year	**(70 068)**	**(71 100)**	**(141 168)**	**49 362**	**190 530**	-

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

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, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These annual 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.

1.3 Materiality

Misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant Judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables from exchange transactions and non-exchange transactions

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. Provision for impairment is done at amortised cost.

Impairment testing

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Contingent liabilities

Management considers the existence of possible obligations which may arise from legal action as well as the possible noncompliance of the requirements of completion of guarantees. The estimation of the amounts disclosed is based on the expected possible outflows of economic benefits should there be a present obligation.

Effective interest rate and deferred settlement terms

The entity used the effective interest rate as determined by National Treasury to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Useful lives and residual values

The entity re-assesses the useful lives and residual values of property, plant and equipment and intangible assets on an annual basis and in doing so considers the condition in use of the individual assets to determine the remaining period over which the asset will be used.

Property, plant and equipment and Intangible assets

The carrying amounts of property, plant and equipment and intanglible assets are affected with the annual review of useful lives, current residual values and depreciation and amortisation methods. Property, plant and equipment and intangible assets are also affected with the determination of the fair value of certain assets on initial recognition.

Non-financial assets

The entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

Initial recognition

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Subsequent measurement

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Item	Depreciation method	Useful life
Computer software	Straight line	4 years

Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Inventories

Initial recognition

Inventory is recognised as an asset when:

- it is controlled by the entity;
- as a result of a past event (acquisition or production thereof) ;
- from which it is probable that future economic benefits or service potential associated
- with the item will flow to the entity; and
- the cost (or fair value) of the inventory can be measured reliably.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale.

Net realisable value is reviewed on the annual basis.

Initial measurement

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

Subsequent measurement

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.7 Cash and cash equivalents

Cash and cash equivalents are measured at cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

1.8 Receivables from exchange and non-exchange transactions Identification

Receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.
The cost method is the method used to account for receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised .

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The entity recognises receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures a receivables at their transaction amount.

Subsequent measurement

The entity measures receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the entity levies interest on the outstanding balance of receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.
Interest on receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

The entity assesses at each reporting date whether there is any indication that a receivable, or a group of receivables, may be impaired .

In assessing whether there is any indication that a receivable, or group of receivables, may be impaired, the entity considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a receivable, or a group of receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the receivable, or group of receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, an entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the receivable, or group of receivables, for which the future cash flow estimates have not been adjusted.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The entity derecognises a receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:

  » derecognise the receivable; and

  » recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.9 Trade and other payables from exchange transactions

Trade and other payables from exchange transactions are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, such as salaries, bonuses, and other contributions are recognised in the period in which the service is rendered and are not discounted.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for this benefit. The entity recognises termination benefits when the employment of employee has been terminated.

1.11 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebate are deducted inarising at the cost.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Useful life
Machinery	Straight line	25 years
Furniture	Straight line	10 years
Office Furniture and equipment	Straight line	3-10 years
Computer equipment	Straight line	4-5 years
UPS	Straight line	4 years
LEU	Straight line	6 years
LCU	Straight line	6 years

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.
Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.12 Impairment of cash-generating assets

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimates unless expectations differ from the precious estimate.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss. the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

1.13 Impairment of non-cash-generating assets

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimates unless expectations differ from the precious estimate.

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Key management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or clienUrecipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.15 Leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.16 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Receivables from exchange transactions	Financial asset measured at cost
Receivables from non-exchange transactions	Financial asset measured at cost
Cash and cash equivalent	Financial asset measured at cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Trade and other payables from exchange transactions	Financial liability measured at cost
Other financial liability	Financial liability measured at fair value

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financlal llabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers}, where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly

OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting. The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  derecognise the asset; and
  recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest

Interest is recognised, in surplus or deficit, using the effective interest rate

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Gifts and donations, Including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.19 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all surplus (deficit) of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.20 Taxation

The entity has been exempted from income tax in terms of the provisions of section 10(1)(cA)(I} of the Income Tax Act 58 of 1962.

1.21 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP

1.22 Translation of foreign currencies Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.23 Comparative figures

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

1.24 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

a. this Act; or
b. the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
c. any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.27 Fruitless and wasteful expenditure

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/04/01 to 2018/03/31.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

2. New standards and interpretations

GRAP 20: Related parties
GRAP 32: Service Concession Arrangements: Granter GRAP
34: Separate Financial Statements
GRAP 35: Consolidated Financial Statements
GRAP 36: Investments in Associates and Joint Ventures
GRAP 37: Joint Arrangements
GRAP 38: Disclosure of interest in other Entities
GRAP 108: Statutory Receivables
GRAP 109: Accounting by Principals and Agents
GRAP 110: Living and Non-living resources
GRAP 17: Service concession arrangements where a granter controls a significant residual interest in an asset
GRAP 18: Recognition and derecognition of land

Notes to the financial Statement

Figures in Rand thousand	2018	2017

3. Inventories

	2018	2017
Raw materials , components	27 297	7 847
Work in progress	1 137	-
Finished goods	147	43
	28 581	**7 890**

Inventory pledged as security

No inventories were pledged as security.

4. Receivables from exchange transactions

	2018	2017
Trade debtors	24164	28113
Cards produced but not yet delivered	(3 534)	(2 430)
Trade and other receivables impairments	(582)	(1 271)
	20 048	**24 412**

No receivables from exchange transactions were pledged as security.
The fair value of trade and other receivables is equal to the invoice amounts related to these receivables.

The impairment of trade receivables has been determined with reference to past default experience and the current economic environment. Interest was charged on overdue accounts over 120 days.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 2 months past due are not considered to be impaired. At 31 March 2018, R 20 630 (2017: R 25 683) were past due but not impaired.

It is uneconomical to initiate legal action or to continue legal pursuit on defaulting debtors as at 31 March 2018.

2017	**Not impaired current**	**Not impaired 30 days**	**Impaired 60 days**	**Impaired 90 days**	**Impaired 120 days**	**Total**
Outstanding balance in R	18 624	2 541	825	666	3 027	25 683
Outstanding balance in %	75 %	9%	3%	2%	11 %	100 %

2017	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**Total**
Outstanding balance in R	18 624	2 541	825	666	3 027	25 683
Outstanding balance in %	75 %	9%	3%	2%	11 %	100 %

Notes to the financial Statement

Figures in Rand thousand	2018	2017

4. Receivables from exchange transactions (continued)

Trade and other receivables impaired

The amount of the provision was R 582 as of 31 March 2018 (2017: R 1271).

The ageing of these loans is as follows:

Impairment of trade and other receivables from exchange transactions

	2018	2017
Opening balance	(1 271)	(1 096)
Movement during the year	689	(175)
	(582)	**(1 271)**

5. Receivables from non-exchange transactions

	2018	2017
Other receivables from non-exchange transactions	150	44

No receivables from non-exchange transactions were pledged as security.

6. Prepayments

	2018	2017
Live Enrolment Unit	176	644

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018	2017
Cash on hand	5	6
Bank balances	120 283	90848
Short-term deposits	309 497	289 569
	429 785	**380 423**

None of the cash and cash equivalents is considered to be impaired and consequently no provision was raised for the irrecoverability of these financial assets. No restrictions have been placed on the use of cash and cash equivalents for the operations of the entity.

Cash and cash equivalents pledged as collateral

No cash and cash equivalents were pledged as security.

The entity had the following bank accounts

Description	**Bank statement balances**			**Cash book balances**		
	March 2018	March 2017	March 2016	March 2018	March 2017	March 2018
ABSA BANK	103 986	79 472	19 714	103 986	79 472	19 714
FNB BANK-Short period	309 497	289 569	270 451	309 497	289 569	270 451
FNB BANK	16 297	11 376	6 727	16 297	11 376	6 727
Petty cash	5	6	10	5	6	10
Total	**429 785**	**380 423**	**296 902**	**429 785**	**380 423**	**296 902**

Notes to the financial Statement

Figures in Rand thousand	2018	2017

8. Property, plant & equipment

	2017			2018		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying Value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Computer equipment	8 069	(2 664)	5 405	6 638	(1 023)	5 615
Furniture	3 222	(2 678)	544	3 222	(2 427)	795
LCU	86 917	(85 930)	987	86 917	(83 977)	2 940
Office Furniture and equipment	870	(342)	528	853	(272)	581
LEU	125 201	(11 549)	113 652	17 431	(1 322)	16109
UPS	7 490	(7 482)	8	7 490	(7 455)	35
Machinery	19 152	(15 323)	3 829	19 152	(14 557)	4 595
Total	**250 921**	**(125 968)**	**124 953**	**141 703**	**(111 033)**	**30 670**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Furniture	795	-	-	(251)	-	544
Computer equipment	5 615	1 555	(55)	(1 710)	-	5405
LCU	2 940	-	-	(1 953)	-	987
Office Furniture and equipment	581	86	(33)	(105)	(1)	528
UPS	35	-	-	(27)	-	8
LEU	16 109	107770	-	(10 227)	-	113 652
Machinery	4 595		-	(766)	-	3 829
	30 670	109 411	(88)	(15 039)	(1)	124 953

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Impairment loss	Total
Computer equipment	646	5 721	(729)	(23)	5 615
Furniture	1 056	-	(261)		795
LCU	9 324		(6 068)	(316)	2 940
Office Furniture and equipment	455	233	(105)	(2)	581
UPS	125	-	(87)	(3)	35
LEU	-	17 431	(1 322)	-	16 109
Machinery	5 361	-	(766)	-	4 595
	16 967	23 385	(9 338)	(344)	30 670

Notes to the financial Statement

Figures in Rand thousand	2018	2017

Pledged as security

No property, plant and equipment assets were pledged as security.

The entity has fully depreciated assets that are still in use. The entity made an appropriate estimate of useful lives, residual values and depreciation method of an asset based on information available at previous reporting dates. These assets are scheduled to be replaced in accordance with the entity policy in 2017/18 financial year. The original cost of these assets amounted to R 88,706,668.66.

9. Intangible assets

	2017			2018		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying Value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Computer software	10 697	(3 760)	6 937	10 320	(1 164)	9156

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	9 156	377	(2 596)	9156

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	132	10 144	(1120)	9156

Pledged as security

No intangible assets were pledged as security.

Notes to the financial Statement

Figures in Rand thousand	2018	2017

10. Trade and other Payables from exchange transations

Trade payables	13 841	107
Income received in advanced	736	1 411
Accrued leave pay	563	555
Accrued expense	66 293	15 205
SARS	281	-
	81 714	**17 278**

11. Trade and other Payables from exchange transations

Designated at fair value		
Department of Transport Balances due from transactions with Department of Transport are due to payments made on behalf of the Driving Licence Card Account by the Department. These payments were made to consultants and other service providers on behalf of Driving Licence Card Account.	932	336
Current liabilities		
Designated at fair value	932	336

12. Revenue

Sale of goods	202 302	190 818
Gain on foreign exchange	-	613
Interest received - investment	26 741	23 110
Donation	7	31
Administration fees	42	27
	229 092	**214 599**

13. Revenue from exchange goods

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	202 302	190 818
Interest received - investment	26 741	23110
Gain on foreign exchange	-	613
	229 043	**214 541**

Notes to the financial Statement

Figures in Rand thousand	2018	2017
Taxation revenue		
Donation	7	31
Administration fees	42	27
Transfer revenue	-	-
	49	**58**

14. Investment revenue

Interest revenue		
Bank	26 596	22 965
Interest charged on trade and other receivables	145	145
	26 741	**23 110**

15. Contracted services

Auditing fees - Internal	1 761	669
Consulting - Other	1 458	1 832
Legal fees	-	49
	3 219	**2 550**

16. Cost of sales

Sale of goods		
Direct material	61 094	54 133
Direct labour	5 228	5 645
Other overhead	2 571	1 122
	68 893	**60 900**

17. Debt impairment

Contributions to debt impairment provision	(688)	174

18. Depreciation, amortisation and impairments

Computer equipments	1 710	752
Computer software	2 596	1 120
Furniture	251	261
LCU	1 953	6 384
LEU	10 227	1 322
Office, furniture and equipments	105	106
UPS	27	90
	16 869	**10 035**

Notes to the financial Statement

Figures in Rand thousand	2018	2017

18. Employee related costs

Basic	11 373	8 541
Non - executive emoluments	169	139
Bonus	190	545
Medical aid - company contributions	46	65
UIF	46	34
SDL	102	74
Leave pay provision charge	11	317
Travel, motor car, accommodation, subsistence and other allowances	44	48
Overtime payments	405	455
Acting allowances	42	502
Housing benefits and allowances	59	98
Bargaining council	29	26
Pension Fund	152	327
	12 668	**11 171**

Remuneration of Acting Head: Mr. Collins Letsoalo

Annual Remuneration	-	-
Car Allowance	-	-
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	-	-

	2018	2017
Remuneration of chief finance officer: Ms. Zinhie Ntuli		
Annual Remuneration	1 042	988
Car Allowance	-	-
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	12	12
	1 054	**1 000**
Remuneration of Senior Manager - Production and Infrastructure: Ms. Mpolokeng Mokone		
Annual Remuneration	986	933
Car Allowance	-	-
Performance Bonuses	12	-
Contributions to UIF, Medical and Pension Funds	-	11
	998	**944**

Notes to the financial Statement

Figures in Rand thousand	2018	2017
Remuneration of Senior Manager - Information Technology: Mr. Livhuwani Madzuhe		
Annual Remuneration	864	539
Car Allowance	-	-
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	11	7
	875	**546**
Remuneration of Risk, Governance and Compliance - Senior Manager: Lufuno Lifhiga		
Annual Remuneration	948	-
Car Allowance	-	-
Performance Bonuses		
Contributions to UIF, Medical and Pension Funds	11	-
	959	**-**

Mr. L. Lifhiga was appointed on 01 April 2017

Remunerattion of Corporate Services- Senior Manager: Mrs Mpho Manyasha		
Annual Remuneration	-	139
Car Allowance	-	-
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	-	82
	-	221
Remuneration of Director Operation: Mr. Azwi Managa		
Annual Remuneration	-	102
Car Allowance		
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	-	35
	-	137
Remuneration of Manager Risk, Governance and Compliance: Ms Nomsa Walaza		
Annual Remuneration	-	109
Car Allowance		
Performance Bonuses	-	51
Contributions to UIF, Medical and Pension Funds	-	47
	-	207

Notes to the financial Statement

Figures in Rand thousand	2018	2017

19. General expenses

Advertising	45	146
Auditors remuneration	2 408	2 746
Bank charges	327	304
Bursaries	392	174
Cleaning	184	149
Computer expenses	101	584
Entertainment	1 358	1 095
Fines and penalties	-	23
Postage and courier	7 291	6945
Printing and stationery	372	165
Security	950	865
Storage	160	113
Subscriptions and membership fees	181	44
Telephone and fax	814	814
Training	313	328
Travel - local	2 252	1 950
Venue	171	157
	17 319	**16602**

20. Lease rentals on operating lease

Premises - Contractual amounts	1 224	1 224
Equipment - Contractual amounts	78	142
Other - Contractual amounts	-	45
	1 302	**1 411**

21. Loss on foreign exchange

Trade and other payables	(804)	-

22. Repairs and maintanance

LCU support	4 878	7 401
Other repairs and maintanace	6 244	5 782
LUE post realisation	5 135	181
	16 257	**13 364**

Notes to the financial Statement

Figures in Rand thousand	2018	2017

23. Cash generated from operations

Surplus	92 359	98 392
Adjustments for:		
Depreciation and amortisation	17 635	10 801
Gain on sale of assets	90	-
Changes in working capital:		
Inventories	(20 691)	(638)
Receivables from exchange transactions	4 364	(2 532)
Other receivables from non-exchange transactions	(106)	(17)
Prepayments	468	(644)
Trade and other Payables from exchange transations	64435	13 150
	158 554	**118 512**

24. Commitments

Authorised capital expenditure		
Already contracted for but not provided for		
ï Property, plant and equipment	52 217	174 392
Total capital commitments		
Already contracted for but not provided for	52 217	174 392
Authorised operational expenditure		
Already contracted for but not provided for		
ï Cost of sales	34 086	43 612
ï Contacted service	-	1 461
ï General expenses	7 028	6 379
ï Repairs and maintanance	1108	-
	42222	**51452**
Total operational commitments		
Already contracted for but not provided for	42 222	51 452

Notes to the financial Statement

Figures in Rand thousand	2018	2017

The commitment relates to the transactions that will result in the outflow of resources. The Entity also utilises the services of Skynet Courier Servicce for the delivery of cards. The Entity is charged as follows:

AREAS

- Major centers is R 76.53 per 2kg and R 19.75 per half kg thereafter.
- Metropolitan centers is R 66.33 per 2kg and R 3.06 per kg thereafter.
- Regional centers is R 115,29 per 2kg and R 24.16 per half kg thereafter.
- Intra centers is R 72.83 per kg and R 18.36 per half kg thereafter.

The Entity has contract with Vodacom for the bulk SMS and cellphone. The billing is charged per SMS sent to the applicant. The billings are 0.15 cents per SMS and cellphone is charged per calls made per month.

The Entity has contract with Neotel forthe internet and calls. The billing is charged per data and calls usage per month. The Entity has contract with MTN for the cellphone. The billing is charged per calls made per month.

The entity has contracts with nine Small Micro Medium Entities (SMMEs) for the maintenance and support services of the Live Capture Units (LCUs). The billing is charged per call when there is an LCU problem that needs to be fixed. The billing is R350.00 per hour for labour and R4.15 per kilometer for travelling.

The commitments amount for 2016/2017 financial year was adjusted due to error in general expense amounting R 299,000.00.

Operating leases - as lessee (expense)

	2018	2017
Minimum lease payments due		
- within one year	107	15
- in second to fifth year inclusive	151	-
	258	**15**

The Entity entered into a lease agreement for two printers. The lease terms are 36 months with an option of renewal. The monthly rentals are R 4,791.04 and R 4,193.80 with no escalation clause.

The Entity is still in discussion with SITA, regarding the lease of the building as there is currently no contract in place.

25. Related parties

The Driving Licence Card Account is a trading entity that reports to and is controlled by the Department of Transport Balances arise from transactions with Department of Transport due to payments made on behalf of the Driving Licence Card Account by the Department. These payments were made to consultants and other service providers.

	2018	2017
Related party balances		
Loan accounts - Owing (to) by related parties		
Department of transport	932	336
Related party transactions	-	-
Expenditure paid to related parties		
Department of Transport	3 453	4 668

Notes to the financial Statement

Figures in Rand thousand	2018	2017

26. Executive management

Executive

2018

	Basic Salary	Contributions to UIF and SDL	Total
Acting Head of Entity: Mr. Collins Letsoalo			
Chief Financial Officer: Ms. Zinhle Ntuli	1 042	12	1 054
Senior Manager - Production and Infrastructure : Ms. Mpolokeng Mckone	986	12	998
Senior Manager - Information Technology: Mr Livhuwani Madzuhe	864	11	875
Senior Manager - Risk, Governance and Compliance: Mr. Lufuno Lifhiga	948	11	959
	3840	**46**	**3886**

2017

	Basic Salary	Contributions to UIF and SDL	Bonus paid	Total
Acting Head of Entity: Mr. Collins Letsoalo				
Chief Financial Officer: Ms. Zinhle Ntuli	988	12	-	1 000
Senior Manager - Production and Infrastructure: Ms. Mpolokeng Mckone	933	11	-	944
Senior Manager - Information Technology: Mr Livhuwani Madzuhe	539	7	-	546
Senior Manager - Corporate Services: Mrs. Mpho Manyasha	139	82	-	221
Manager - Risk, Governance and Compliance: Ms. Nomsa	109	47	51	207
Director Operation: Mr. Azwi Managa	102	35	-	137
	2 810	**194**	**51**	**3 055**

Notes to the financial Statement

Figures in Rand thousand	2018	2017

Non-executive

2018

	Commitess fees	Travel claim	Total
Nomthandazo Mdanda (Chairperson)	48	12	60
Peter Mukheli	15	-	15
Maresia Nyathi	38	2	40
Zola Fihlani	38	4	42
Zuziwe Ntsalaze	30	2	32
	169	**20**	**189**

2017

	Commitess fees	Travel claim	Total
Dawood Coovadia (Chairperson)	48	6	54
Nomthandazo Mdanda	38	1	39
Peter Mukheli	38	1	39
Paul Nel	-	-	-
Zola Fihlani	15	2	17
	139	**10**	**149**

27. Budget differences

Differences between budget and actual amounts basis of preparation and presentation

27.1 Sales of goods

The sale of goods figure has exceeded the budget amount due to a increase in the number of cards that were ordered.

27.2 Interest received

Interest received is higher than the budgeted amount as the entity had anticipated to roll-out the live capture units in the 2017/18 financial year, as a result the excess funds were invested and yielded high returns than the budgeted amount.

27.3 Employee costs

Personnel benefits were below budget as the Entity still has vacancies that are not filled due to the Entity structure that has not yet been approved.

27.4 Depreciation, amortisation and impairment

Depreciation and amortisation costs were below budget due to the LEU project that has not yet been fully rolled out.

Notes to the financial Statement

Figures in Rand thousand	2018	2017

27.5 Contracted services

Contract services has not exceeded budget amount due to a decrease in use of consultants.

27.6 Repairs and maintenance

LEU post realisation costs were above budget due to an amount of post realisation that was budgeted under property, plant and equipment.

27.7 Other expenditures

Other expenditures were below budget due to cost control on stationery, travel and accomodation, computer expenses, advertising, courier, facilities managemnt, foreign exchange loss and entertainment expenses. Training budget was not exhausted due to reduced training needs at DLTCs.

27.8 Cost of Sales

The cost of sales figure has not exceeded the budget amount due to a discount recieved.

27.9 Lease rental on operating lease

Lease rental costs were below budget due to management negotiated a lesser rental with SITA in the prior financial year.

28. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Executive committee and includes a note to the annual financial statements.

Material and maintanance of production machine were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Head of the Entity who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviation

Impractical	262	2169
Sole service provider	56 511	76 266
Emergency	-	17
	56 773	**78452**

Notes to the financial Statement

Figures in Rand thousand	2018	2017

29. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	24165	-	24 165
Cash and cash equivalents	-	429 785	429 785
	24165	**429 785**	**453 950**

Financial liabilities

	At fair value	At cost	Total
Other financial liabilities	932	-	932
Trade and other payables from exchange transactions	-	20273	20 273
	932	**20273**	**21 205**

2017

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	24 412	-	24 412
Cash and cash equivalents	-	380 423	380 423
	24 412	**380 423**	**404 835**

Financial liabilities

	At fair value	At cost	Total
Other financial liabilities	336	-	336
Trade and other payables from exchange transactions	-	17 277	17 277
	336	**17 277**	**17 613**

Notes to the financial Statement

Figures in Rand thousand	2018	2017

30. Risk management

Foreign currency risk management

Foreign currency exposures arise from the purchase of material. When orders are placed the risk is assessed to determine whether or not forward cover is required.

Forward exchange contracts - recognised transactions

No forward exchange contracts were entered into during the financial years ended 31 March 2017 and 31 March 2018

Material	**61 094**	**54133**

Foreign currency risk management

The entity is exposed to interest rate risk as it places funds in the current account at floating interest rates. Interest rate risk is managed through effective cash management. The net interest income at 31 March 2018 was R 26 741 (2017: R23 110)

The interest rate re-pricing profile at 31 March 2018 is summarised as follows:

Cash and cash equivalents	**429 785**	**380 423**
% of total bank balances	**100**	**100**

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

31. Risk management (continued)

Liquidity risk

The company manages liquidity risk through the compilation and monitoring of cash flow forecasts as well as ensuring that there are adequate banking facilities. The data for this analysis is determined from internal reports presented to key management personnel. It is based on information that is managed internally on the entity's financial management system.

The maturity profiles of the financial instruments are summarised as follows:

The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Notes to the financial Statement

Figures in Rand thousand				2018	2017
2018	Within 1 month R'000	1-3 months R'000	3-12 months R'000	1-5 years R'000	Total
Receivables from non-exchanged transactions	150	-	-	-	150
Receivables from exchanged transactions	20 048	2 877	809	459	24193
Cash and cash equivalents	429 785	-	-	-	429 785
Subtotal	449 983	2 877	809	459	454 128
	449 983	**2 877**	**809**	**459**	**454128**
Trade and other payables from exchange transactions	81 716	-	-	-	81 716
Other financial liability	932	-	-	-	932
Subtotal	82 648	-	-	-	82 648
	82 648	**-**	**-**	**-**	**82 648**
2017	Within 1 month R'000	1-3 months R'000	3-12 months R'000	1-5 years R'000	Total
Receivables from non-exchanged transactions	44	-	-	-	44
Receivables from exchanged transactions	17 353	2 541	825	3693	24 412
Cash and cash equivalents	380 423	-	-	-	380 423
Subtotal	397 820	2 541	825	3693	404 879
	397 820	**2 541**	**825**	**3693**	**404 879**
Financila liabilities					**Total**
Trade and other payables from exchange transactions	17 278	-	-	-	17 278
Other financial liability	336	-	-	-	336
	17 614	**-**	**-**	**-**	**82 648**

Credit risk

Potential concentrations of credit risk consist mainly of cash and cash equivalents and trade receivables. The DLCA limits its counterparty exposures from its bank accounts by only dealing with well-established financial institutions of high quality credit standing.

Trade receivables comprise a large number of customers within the government sphere and spread throughout the country. Trade and other receivables are shown net of impairment.

Notes to the financial Statement

Figures in Rand thousand	2018	2017

At 31 March 2018, the DLCA did not consider there to be any significant concentration of credit risk which had not been adequately provided for. The amount in the statement of financial position is the maximum exposure to credit risk.

Market risk
Foreign exchange risk

The entity does not hedge foreign exchange fluctuations.

Fair value of financial intruments

In the opinion of the entity management the book value of the financial instruments approximates their fair value. The following methods and assumptions were used by the Driving Licence Card Account in establishing fair values:
Financial instruments not traded in an active market at 31 March 2018 and 31 March 2017 the carrying amounts of cash and deposits , accounts receivable, accounts payable at cost and short-term borrowings approximated their fair values due to the short term maturities of these assets and liabilities.

Related party debt

The carrying amounts of related party debt approximate their fair values.

32. Contingencies

Section 53(3) of the PFMA states that a public entity may not accumulate surpluses unless prior written approval of the National Treasury has been obtained. The retention for the current year surplus of R 272,896,000.00 has not yet been approved.

The remaining disputes were referred to the Arbitration process. The remaining disputes relate to:
- the ownership of the facility;
- the claims sounding in money arising out of the operation of the facility both during the period of the agreement between the parties and subsequent to that agreement;
- the usage fee in the event that the ownership dispute is decided in favour of the service provider.

In the event that the award of the arbitration is in favour of the service provider, the entity will be required to return the facility to the service provider, return any unused consumables and pay the service provider a reasonable fee for the use of the facility. However in the event that the award of the arbitration is in favour of the entity, the entity will assume ownership of the facility.

On 14 August 2015 Prodiba instituted arbitration proceedings for:

- A payment of R10,958,000.00 based on payment certificates issued for drivers licence cards produced during the period 1 February 2015 to 30 April 2015
- An order for the statement and debasement of an account to be rendered by the Driving Licence Card Account in respect of consumables which the Driving Licence Card Account retained when it took over the drivers licence card production facility

The Driving Licence Card Account in turn filed a counterclaim on 12 December 2015 and in terms whereof it seeks payment from Prodiba in the amount of R110,860,000.00

Notes to the financial Statement

Figures in Rand thousand	2018	2017

32. Fruitless and wasteful expenditure

Opening balance	-	60
Add: current year	-	20
Less: Amount written off	-	(80)

33. Irregular expenditure

Opening balance	105 834	19 354
Add: Irregular Expenditure - current year	85 984	86 480
Less: Amounts condoned	(54 431)	-
	137 387	**105 834**

Analysis of expenditure awaiting condonation per age classification

Current year	1 178	86480
Prior years	136 209	19354
	137 387	105 834

Details of irregular expenditure - current year

Disciplinary steps takencriminal proceedings		
Supply Chain Management process not followed under investigation	1 178	-
Calculation of evaluation points under investigation	21 130	-
Framework under investigation	63 676	-
	85984	-

Details of irregular expenditure condoned

Condoned by (condoning authority)		
IT goods acting Director General	1 877	-
Unsolicited supplier acting Director General	150	-
Employee cost acting Director General	1 442	-
Supply Chain Management process not followed Acting Director General (Ceded contracts)	6 018	-
Bid process not followed acting Director General	10 289	-
Quotations acting Director General	313	-
Calculation of evaluation points acting Director General	29 646	-
Deviation from normal bidding process acting Director General	4 696	-
	54 431	-

Calculation of evalaution points

The irregular expenditure was incurred as a result of a different interpretation of Practice note SCM 2 of 2006 by the AGSA and the DLCA.

Framework

The Auditor General of South Africa deems these delegations of authority stipulated in the DLCA framework inadequate, consequently, came to a conclusion that expenditure incurred in line with the said delegations must be declared irregular. The irregular expenditure relating to the delegations amounts to R 117,406,721.43. The process for condonation will take 2018/2019 financial year.

Notes to the financial Statement

Figures in Rand thousand	2018	2017

34. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

35. Prior period errors

Intangible asset

Intangible asset was supposed to be recognised in the 2016/2017 financial year. This error only affected the period ended 31 March 2017.

Property, plant and equipments

The LUEs were deployed in 2016/17 financial year and invoices were only received in 2017/18 financial year. This error only affected the period ended 31 March 2017.

Receivable from non-exchange transaction

The employee overtime was overpaid in 2016/17 financial year and the DLCA discovered the over payment in overtime in 2017/18 financial year. This error only affected the period ended 31 March 2017.

Discount received

The discount received was incorrectly classified as revenue instead of cost of sales. This error only affected the period ended 31 March 2017.

The correction of the error(s) results in adjustments as follows:

Statement of financial position	
Intangible assets	(177)
Trade and other payables from exchange transactions	10 858
Property, plant and equipments	(45)
Prepayments	(10 995)
Trade and other payables from exchange transactions	44
Receivables from non-exchange transactions	
Statement of financial performance	
Depreciation expense	755
Repairs and maintanance	181
Employee costs	(44)
Discount received	5 985
Cost of sales	(5 985)

Driving Licence Card Account

Department:
Transport
REPUBLIC OF SOUTH AFRICA

DRIVING LICENCE CARD ACCOUNT

ANNUAL REPORT

2017 • 2018