



**2015/16 DRIVING LICENCE
CARD ACCOUNT**

ANNUAL REPORT



Driving Licence Card Account

Department:
Transport:
REPUBLIC OF SOUTH AFRICA



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PART A: 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:	zinhle.ntuli@dlca.gov.za
External Auditors:	Auditor-General of South Africa (AGSA)
Bankers:	First National Bank and ABSA Bank

LIST OF ABBREVIATIONS/ACRONYMS

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 Enrollment Unit
MEC	Member of Executive Council
MTEF	Medium-Term Expenditure Framework
PFMA	Public Finance Management Act
SCM	Supply Chain Management
SDIP	Service Delivery Improvement Plan
SITA	State Information Technology Agency
SMME	Small, Medium and Micro-Sized Enterprises
TR	Treasury Regulations
GPW	Government Printing Works
SSA	State Security Agency



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Part A:
General Information



FOREWORD BY THE MINISTER

MS. DIPUO PETERS, MP

Minister of Transport

In the words of our late former president and icon, Nelson Mandela: “After climbing a great hill, one only finds that there are many more hills to climb.”

During the year under review, the DLCA passed a great number of milestones. However, there are a host of things we still need to achieve to ensure that meaningful change is seen in the lives of our people whom we are here to service.

The DLCA took over, from the private sector, the production function of the driving licence cards on 5th May 2015. This proved to be an exciting and challenging period; and also a most rewarding one which saw the entity triumphant in a number of areas, set the foundation for better and quality service for our people.

As Franklin D. Roosevelt (former USA president) once said, “A smooth sea never made a skilled sailor”, and during the year under review, many challenges were faced and conquered. The DLCA was able to take over the administration function from the Department of Transport:

- Reduce delivery time from application to delivery to an average of 14 days from 8 weeks.
- Produce more than 2 million cards.
- Pilot an SMS notification solution to notify applicants of the status of their applications.
- Procure Smart Live Enrollment Units.
- Develop a new secure driver’s licence design.

The application and supply of driver's licences still remain one of the areas in our service delivery system that is a great pain for our people. Our people still experience long waiting periods of an average of about 5 hours; sometimes they are not even served, instead they are instructed to return "another day". Some have reported that they experience extortion by being asked to pay bribes. The changes that we at the DLCA have effected in our processes, and the achievements stated above, have not yet been felt in the lives of the people we serve.

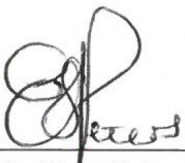
Inspired by the vision of Batho Pele, the DLCA's focus is service delivery. A driving licence to most people presents an opportunity to own a car, qualify for a new job and a better life, and we need to put in place infrastructure, resources to ensure that people are served in a dignified manner.

We intend to:

- Reduce the waiting period for applications to less than 30 minutes.
- Reduce the delivery time to 5 days in major centers and 7 days in remote centers.
- Increase service delivery by increasing service delivery channels.
- Reduce production times to within 24 hours of application.
- Implement better communication channels with our clients and improve feedback.
- Introduce a new secure driving licence card.

We managed to climb a great hill when we took over the card production facility, but there are even more great hills to climb. We foresee that there will be challenges ahead, but we believe that we have a high caliber team, which is ready, willing and able to deal with the challenges.

DLCA is committed to keep moving South Africa forward!



Ms. Dipuo Peters, MP
Minister of Transport
Date: 27/09/2016



REPORT OF THE ACCOUNTING OFFICER

MR. MOKONYAMA MATHABATHA

Acting Director General

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.

FINGERPRINT MATERIAL BASE SETS, CONSUMABLES AND IMAGE-SCANNING SHEETS

This entails the provision and delivery of single or sets of consumables for fingerprint material, and distribution of image scanning sheets (form ISS) in duplicate, together with barcode and adhesive, as specified, (1000 sheets per set) directly to users' sites.

In all instances, the contractor is to define consumption rate and specifications. The material is used for manual processing of driving licence card applications. The demand of these items has significantly reduced due to installation of live capture units.

PROVISION OF LIVE CAPTURE UNITS AND TRAINING

The provision of live capture units (LCUs) consist of a high performance personal computer module, digital camera, fingerprint reader, signature pad, highly visible applicant lead-through display, identity book barcode scanner, printer and integrated driver vision test module and provision of software support. Training is offered to officials in Driving licence Testing Centers.

QUERY-ANSWERING SERVICE ON MAINTENANCE OF LIVE CAPTURE UNITS

This encompasses the provision of responses to enquiries logged on e-Natis in respect of driving licence authorisation, card production and Live Capture 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. The Entity is awaiting approval from the National Treasury.

CORPORATE GOVERNANCE ARRANGEMENTS

ACCOUNTING OFFICER'S RESPONSIBILITIES

The Accounting Officer for 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 services of the Department Of Transport Internal Audit Unit, and an outsourced Service Provider, with the projects being funded by the Entity. Internal Audit has completed its Annual Internal Audit Plan for 2015/16.

The Trading Entity has an Audit Committee comprising of independent non-executive persons. The committee held six meetings in the 2015/16 financial year, comprising of four regular audit committee meetings and two special audit committee meetings.

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 a quarterly basis 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 licences. Revenue increased by 7% compared to prior year. The increase in revenue is as a result of an increase in the number of cards produced and delivered in 2015/16. 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 1: Revenue

Sources of Revenue	2015/16			2014/15		
	Budget	Actual amount collected	Over/ (Under) Collection	Budget	Actual	Over/ (Under) Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Sale of Cards	181,700	189,342	7,642	165,900	176,529	10,629
Administration Fees	-	37	37	-	64	64
Total	181,700	189,379	7,679	165,900	176,593	10,693

COLLECTION OF ENTITY REVENUE

Table 2: Debtor's age Analysis

Year	120+ days	60+ days	0-30 days	Total	120+ days
	R'000	R'000	R'000	R'000	% of Total Debt
2014/15	4,890	1,582	22,285	28,757	14%
2015/16	968	1,393	21,779	24,146	3%

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 4.8 million in prior year to R 968 thousand in 2015/16. A significant decrease in the long outstanding debt was as a result of the new stringent measures that were introduced in collecting outstanding payments. One of the measures introduced in the current financial year, was to withhold cards for the DLTCs that have long outstanding debt. 90% 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 45 days as of the 31st March 2015 to 44 days as of the 31st March 2016. Gauteng and Free State Provinces have maintained good payment record throughout the financial year, and Mpumalanga Province has drastically improved their payment trend during the financial year.

Table 3: Expenditure

Description	2014/15	2014/15		2015/16	2015/16	
	Budget	Actual	(Over) under	Budget	Actual	(Over) under
	R'000	R'000	R'000	R'000	R'000	R000
Cost of Sales	74,550	91,509	(16,959)	60,998	72,941	(11,943)
Contract Services	6,726	4, 421	2,305	5,003	8,726	(3,723)
LCU Support Cost	17,558	14, 526	3,032	4,416	5,145	(729)
Depreciation	26,013	20, 545	5,468	36,148	10,473	25,675
Employee Benefits	15,710	4, 548	11,162	18,756	9,590	9,166
Other Expenses	27,801	4, 767	23,034	59,868	14,115	45,753
Total	168,358	140,316	28,042	185,189	120,990	64,199

The budget for the year was under spent by R 64,199,000 due to:

The cost of sales has exceeded the budget due to the direct labour, direct material and overheads that had to be included in cost of sales to comply with GRAP. Material is imported, and the costs of acquiring material were high due to a weaker Rand.

Contracted services were above budget due to the legal battles between the Entity and the Service Provider. LCU support costs were above budget due to the high number of repairs and maintenance to the LCUs, as most of these units have reached the end of their useful lives and therefore required replacement. Depreciation and amortisation costs were below budget due to the procurement of new assets that was delayed beyond schedule.

Employee benefits are below budget due to appointment of staff that was delayed beyond scheduled. Other expenses were below budget due to cost control on stationery and entertainment expenses. Training budget was not exhausted due to reduced training needs at DLTCs.

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.

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 by the Accounting Officer, in writing, however the Auditor-General of South Africa (AGSA) did not recognise the delegation of the powers.

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, as it was noted that the DLCA will need to get legal advice on this matter.

The AGSA and the DLCA came to an agreement that the DLCA will then be given an opportunity to reverse the irregular expenditure in 2016/17 financial year, once legal advice has been sought.

FUTURE PLANS OF THE ENTITY

The Entity's strategic direction is to focus on Service Delivery to ensure a satisfactory experience for the South African citizen. To this extent, the Entity plans are:

- Roll out of the SMS notification service, which will notify applicants when the driving licence application has been received, and when the card is ready for collection.
- Implementation of the Live Enrollment Units to ensure that the acceptable quality of images and information required for card production is captured. Unacceptable quality of images will be rejected at the source, thereby ensuring that only the correct information reaches the card production facility.
- Implementation of the Mobile Live Enrollment Units – the mobile version of the LEU will be rolled out for those areas that do not have connectivity.
- Introduction of the new driving licence card, which complies with international standards. The initial concept of the card has been finalised, and is pending approval by the SSA. It is envisaged that cabinet approval will be obtained in the 2016/17 financial year.
- Upgrading of the infrastructure to ensure the effective delivery of cards and reduction of the turnaround time from 14 to 7 days, and preparation for offering of online services (e.g. online renewal of driving licence).
- Implementation of a queue management system at the DLTCs, which will adhere to the minimum prescribed service standards. It is anticipated that this will enable the DLTCs to ensure that driving licence applicants are serviced within a maximum of 25 minutes.

SUPPLY CHAIN MANAGEMENT

During the current financial year, the Entity established a supply chain management (SCM) unit. A SCM official was seconded from the Department of Transport to assist with the SCM functions. At year-end, the Entity had started the recruitment process for hiring SCM officials, to ensure that the SCM unit runs effectively and efficiently.

EXEMPTIONS OR DEVIATIONS RECEIVED FROM NATIONAL TREASURY

During the reporting period under review, in 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. These deviations were reported and noted by the National Treasury as required by the practice notes.

INTERIM FINANCIAL STATEMENTS

The Trading Entity has not issued any interim financial statements during the year under review.

EVENTS AFTER THE REPORTING DATE

Prodiba has made an application to the North Gauteng High Court of South Africa for liquidation. The reason provided was that Prodiba's sole revenue was derived from the manufacturing and production of driver's licence cards for the Driving Licence Card Account. Prodiba also indicated that due to the termination of the agreement with the Driving Licence Card Account, Prodiba is no longer in business and has ceased trading. Furthermore, Prodiba indicated that since they have ceased trading, they have no source of income and no realisable assets.

The lease contract between Driving Licence Card Account and SITA for the building was signed in June 2016. It was agreed that the lease contract will be effective from the 1 May 2015.

APPROVAL

The Annual Financial Statements set out on pages 47 to 95 have been approved by the Accounting Officer.



Mr. Mokonyama Mathabatha
Acting Director General
Driving Licence Card Account Trading Entity
Date: 27/09/2016

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 2016.

Yours faithfully,



Mr. Mokonyama Mathabatha
Acting Director General
Driving Licence Card Account Trading Entity
Date: 27/09/2016

STRATEGIC OVERVIEW

VISION

Secure and high quality driving licences to all South African vehicle driver population.

MISSION

Ensure the application, production and distribution of driver's licences and related services are delivered at the right time, right place, right quality, and delivered using the right technology.

DLCA VALUES

Value	Principle
People first	Deliver dignified and timely services
Accountability	We are accountable for our actions to our clients, stakeholders and one another
Sustainability	Efficient use of resources and care for the environment
Transparency	Openness and integrity in how we conduct our business
Value for Money	Efficient delivery of our mandate
Quality	Ensure quality of our products and services provided to our customers

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 the 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 driver's 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 19.5.3 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.



**MS. SINDISIWE
CHIKUNGA**

Deputy Minister of Transport



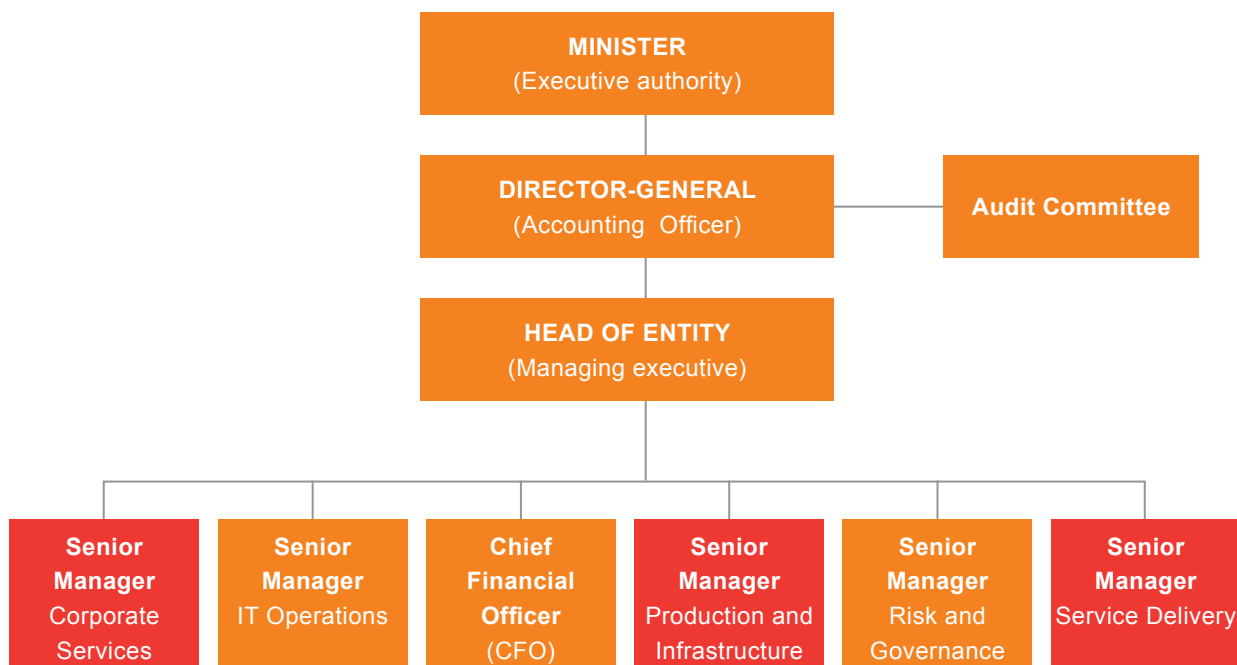
MS. DIPUO PETERS

Minister of Transport



**MR. MOKONYAMA
MATHABATHA**

Acting Director General



This is the current organisational structure of the DLCA, 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. The DLCA is currently finalizing an organizational structure which seeks to ensure effective and efficient execution of its mandate. The areas of Service Delivery and Production and Infrastructure Management functions are areas of future growth as they will form the core of the DLCA mandate.



2015/16 DRIVING LICENCE
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ANNUAL REPORT

Part B:
Performance Information

PART B: PERFORMANCE INFORMATION

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 audit conclusion on the performance against predetermined objectives is concluded 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 51 of the Report of the Auditor-General, published as Part E: Financial Information.

OVERVIEW OF THE TRADING ENTITY'S PERFORMANCE

SERVICE DELIVERY ENVIRONMENT

The DLCA took over the Card Production Facility on the 5th May 2015. Upon take-over, the DLCA became fully responsible for the operations of the card production facility, including the maintenance of the Live Capture Units.

The production and delivery of driving licence cards ordered during the year 2015/16 was achieved satisfactorily. The results of the customer satisfactory survey conducted with provincial representatives; regarding the speedy LCU maintenance and support at centers were satisfactory.

ADMINISTRATION

Provision of strategic leadership of the Trading Entity is undertaken by the Accounting Officer and the Head of the Entity. 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

On the 5th May 2015, following a beleaguered court battle between the Department of Transport and Prodiba, the DLCA took over the operations of the card production facility. At the time of the take-over, the status of the card production facility was as follows:

- Backlog on production of cards - there was backlog of 120, 383 cards on the system. The inherited Prodiba backlog was completed on the 22nd May 2015. There were a number of cards, which were over the 21-day production limit. In essence, it is only from the 25th May 2015, that the DLCA started producing its own orders.
- Delivery of Material – there was sufficient material to produce only 142, 896 cards, with the next delivery for material expected in September 2015. The scheduled delivery of material was fast-tracked to June 2015, the DLCA was able to produce 2, 336 797 cards for the year. The first milestone of 1 million DLCA-produced cards was reached in September 2015, and the 2 million card mark was reached in February 2016.

Table 4: Number of cards produced and delivered

PROVINCE	PRODUCED	DELIVERED	ORDERS RECEIVED	SPOILED/ CANCELLED ORDERS
Eastern Cape	159,105	158,759	160,885	2,339
Free State Province	108,126	108,894	107,770	1,439
Gauteng	813,022	812,199	808,035	7,803
KwaZulu-Natal	367,981	369,071	370,750	3,679
Limpopo	194,928	195,328	197,452	5,172
Mpumalanga	205,796	202,375	204,629	3,278
North West	109,536	109,201	109,610	1,194
Northern Cape	43,309	43,382	43,559	903
Western Cape	334,994	334,746	336,062	3,430
Total	2,336,797	2,333,955	2,338,752	29,237

Table 5: Average Production Report

PROVINCE	AVERAGE PRODUCTION DAYS 2015/16	AVERAGE PRODUCTION DAYS (incl. DLTCs in Arrears)	AVERAGE PRODUCTION DAYS (excl. DLTCs in Arrears)
Eastern Cape	15	18	16
Free State Province	14	14	15
Gauteng	12	14	14
KwaZulu-Natal	13	18	15
Limpopo	15	16	16
Mpumalanga	14	24	16
North West	14	18	16
Northern Cape	14	21	16
Western Cape	14	16	16
Average	14	18	16

The average card production days increased by 1 day. This was affected by the backlog of cards inherited from Prodiba, and a shortage of material in May/June 2015, and by the loss of 20 man-days due to the breakdown of the embossing machine. Both these situations resulted in the record production numbers of 380, 394 cards in July 2015, and 350, 537 cards in February 2016.

The Entity was able to reduce the average turn-around time for delivery of driving licence cards. The average production days was affected by the shortage of material in May/June 2015, and by the loss of 20 man-days due to the breakdown of the embossing machine in January 2016.

As part of its debt management strategy, the Entity held back cards for the DLTCs whose accounts payable was over 90-days. This meant that the card was produced and only released once the DLTCs had settled the account or made a payment arrangement for the outstanding balance.

At year-end, there were 9,491 cards from 35 DLTCs held back.

Table 6: Number of cards held back due to accounts in arrears

PROVINCE	NO. OF CARDS	NO. OF DLTCs
EASTERN CAPE	1,118	5
FREE STATE	-	-
GAUTENG	-	-
KWAZULU-NATAL	1,421	3
LIMPOPO	520	2
MPUMALANGA	3,492	9
NORTH WEST	708	7
NORTHERN CAPE	589	7
WESTERN CAPE	1,643	2
TOTAL	9,491	35

For the period under review, and since the debt management strategy was introduced, the following cards were held back and released.

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

PROVINCE	NO. OF CARDS	NO. OF DLTCs
EASTERN CAPE	5,350	18
FREE STATE	-	-
GAUTENG	242	1
KWAZULU-NATAL	42,550	20
LIMPOPO	2,551	5
MPUMALANGA	24,203	17
NORTH WEST	6,694	11
NORTHERN CAPE	3,718	22
WESTERN CAPE	3,108	14
TOTAL	88,416	108

Infrastructure Management (fingerprint material base sets, consumables and image-scanning sheets)

This involves the maintenance of the Live Capture Units and related equipment. This section was previously referring to fingerprint material base sets, consumables and image-scanning sheets, and referred to the provision and delivery of sets of consumables for fingerprint materials, barcode stickers and the Image-Scanning Sheets (ISS) forms to the Driving Licence Testing Centers. These materials are used for the manual processing of driver's licence card applications. The demand for these services is significantly reduced due to the installation of LCUs and the training provided by DLCA.

In the previous financial year, the Entity issued a notification to all users barring the use of the Image-Scanning Sheets (ISS), except for the areas where there are no Live Capture Units installed. This practice was continued even in this financial year.

Table 8: Number of fingerprint material base sets, consumables and image-scanning sheets delivered

Year	Number of ISS boxes	Barcode Stickers - set of 480 labels	LCU Cartridges	Fingerprint Pads (Big)	Fingerprint Pads (Small)
2014/15	5	-	415	101	130
2015/16	6	-	11	2	12

PROVISION OF LIVE CAPTURE UNITS (LCU)

The Live Capture Unit (LCU) is the equipment used to capture the facial, fingerprint and signature images that appear on the driving licence card. The LCUs evolved from the manual system and were introduced to combat the number of rejected applications by checking the quality of biometrics images, eye tests and fingerprints.

Table 9: Live Capture Units per Province

Province	LCUs Delivered	LCUs Installed	LCUs not Installed	Reasons	LCU's with stolen/damaged components
Gauteng	222	222	-	-	-
Eastern Cape	93	93	-	-	2 LCU components were stolen components
Mpumalanga	82	82	-	-	4 LCU components were damaged by lightning
North West	58	56	(2)	Stolen	2 LCUs damaged
Northern Cape	62	62	-	-	-
Free State	81	81	-	Grinded off	4 LCU were grinded off
Limpopo	70	70	-	-	-
Western Cape	131	129	2	Pending site registration	-
KwaZulu-Natal	119	116	3	Network points not installed	2 components
Total	918	911	5		8 LCUs and 6 components

Stolen or damaged LCUs and its components are replaced. The replacement is performed after the security assessment has been conducted.

PROVISION OF TRAINING FOR LIVE CAPTURE UNITS

Training needs are basically informed by the exception report received from the Service Provider, during the manufacturing of driving licence cards, as well as through request from DLTCs.

Table 10: Training of LCUs conducted per province

Province	No. of DLTCs per Province	DLTCs received Training	DLTCs not Trained	No. of Officials Trained
Gauteng	40	-	40	-
Western Cape	62	-	62	-
Mpumalanga	38	12	26	40
Northern Cape	48	-	48	-
North West	27	-	27	-
Limpopo	35	-	35	-
Free State	63	-	63	-
Eastern Cape	49	2	47	13
KwaZulu-Natal	46	11	35	42
Total	408	25	383	95

MAINTENANCE OF LIVE CAPTURE UNITS

The maintenance of the LCUs was contracted to 9 small, micro and medium enterprises (SMME), with each SMME allocated a province.

Table 11- Call-answering service on maintenance of Live Capture Units

Province	No. of Calls Logged 2014/15	No. of Calls Logged 2015/16
Gauteng	571	495
Eastern Cape	140	175
Mpumalanga	245	175
North West	93	72
Northern Cape	81	156
Free State	151	156
Limpopo	172	189
Western Cape	220	304
KwaZulu-Natal	335	346
Total	2,008	2,068

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 related to the parts. Due to the aging technology of the LCUs, replacement parts were hard to find, as the new parts were not compatible with the LCU technology.

CALL SUMMARY PER PROVINCE

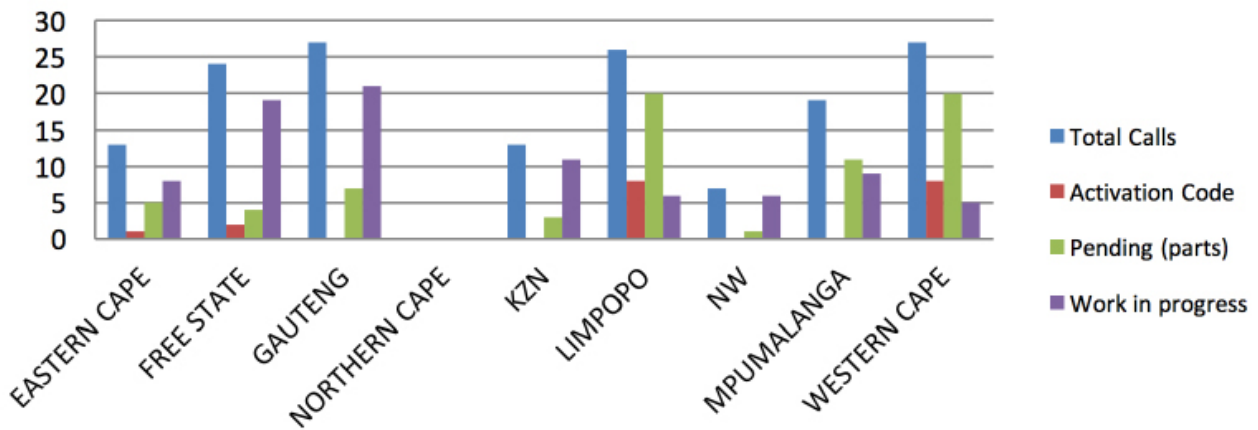


Figure1: Call summary per province

INTRODUCTION OF THE NEW LIVE ENROLMENT UNITS (LEUS)

On the 17th July 2015, the DLCA published bid RFP07/2015/FRP/LCU1 for the provision, installation and maintenance of 1000 Live Capture Enrolment Units (LEUs). The purpose of the project is to replace the current Live Capture Units (LCUs), which were procured in 2008. There are currently 911 LCUs installed nationwide. Following the procurement and evaluation process, Mulbauer ID Services GmbH (MB) was selected as the preferred bidder. The contractual negotiations with the bidder were finalised on the 15th January 2016. The contract came into effect on the 26th January 2016.

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).
- Equipment is industrial-grade, thereby durable.

There is a desktop version and mobile version of the LEU.

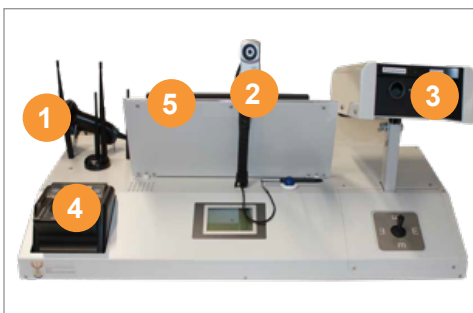


Figure 2. New LEU - Desktop version – Operator view



Figure 3. New LEU - Desktop version – Applicant view



Figure 4: Mobile unit version

1. Barcode reader 2. Camera 3. Eye-test unit 4. Fingerprint reader 5. Laptop 6. Signature pad

It is envisaged that the roll out of the first 100 tranche of LEU is to take place in the second quarter of the 2016/17 financial year.

SERVICE DELIVERY IMPROVEMENT PLAN

Issues such as strikes, breakdown of the card production equipment and lack of capacity at the driving licence testing centers, negatively impact on the speedy delivery of service e.g. applicants are not informed timeously to collect their licences from the DLTCs. The Entity piloted a short messaging system (SMS) during the year under review at Waitloo testing center. One SMS message was sent out to inform the applicant when the card application has been received, and another when the card is ready for collection. Preliminary reports from the pilot showed that the testing station received more applicants as word-of-mouth spread regarding the service.

NEW CARD DESIGN

In the previous financial year, the Entity embarked on a process to introduce a new high security driving licence card. Engagements were held with GPW and SSA.

In order to enhance the security features of the card, the South African Bank Note Company was engaged to form part of the technical reference group responsible for the design of the new licence card. At year-end, an initial concept of the card had been finalised. It is envisaged that the process to roll out the new cards will be initiated in 2016/17.

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, and the CFO position was filled in the last quarter of the financial year.

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

There have not been key policy developments and legislative changes during the current financial year.

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 strategic goal for the DLCA is to produce and deliver high security driver's licence cards.

PERFORMANCE INFORMATION OF THE TRADING ENTITY
Table 12: PERFORMANCE INFORMATION

Strategic Objective: Enhance performance and efficiency of the transport sector						
Objective Statement: To ensure issuing of 10, 600 000 secure driving licence cards by 2019						
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2014/15	2015/16 PLANNED TARGET	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT	REASON FOR DEVIATION	
Number of driver's licence cards produced and delivered annually	2,361,052 driving licence cards delivered	2,100,000 Driving licence cards delivered	2,118,541 driving licence cards delivered	18,541 more driving licence cards produced and delivered	The production system was reconfigured to process orders based on first-in first-out basis; this resulted in an increase in the production of cards	
High security driver's licence card approved and implemented	The driving licence card has been designed in line with the SADC specifications and was presented to the Minister	High Security driver's licence card submitted to cabinet for approval	Not Achieved	New card design was not submitted to Cabinet for approval. New card concept design was completed, awaiting approval from State Security Agency.	Additional stakeholders (SA Bank Note Company) had to be engaged to enhance the security features of the card.	
Live Capture Units procured and installed in all the DLTCs	Terms of Reference for LCU hardware have been developed	Live capture units procured and installed	Not Achieved	Installation of new LCU was not implemented. Procurement of LCUs has been finalised, with the contract taking effect in January 2016. The concept of the new LCU has been approved for implementation.	There was a court ruling for the DLCA to take over the card production facility. The additional responsibilities resulted in delays in the appointment of a service provider for the provision, installation and maintenance of the LCUs and subsequent implementation.	

STRATEGIES TO OVERCOME UNDER PERFORMANCE AND REASONS FOR DEVIATIONS

The appointment of the service provider for the provision, installation and maintenance of the Live Capture Enrollment Unit (LEU) was only finalised in January 2016. The concept of the LEU was finalised in March 2016. The implementation and roll out of the new Live Enrollment Units will take place in the 2016/17 financial year. Approval of the card design was delayed, as more stakeholders had to be involved to improve the security features of the card, and new technologies to be considered. It is envisaged that full implementation of the card process will be finalised in the next financial year.

CHANGES TO PLANNED TARGETS

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

LINKING PERFORMANCE WITH BUDGETS

During the 2015/16 financial year, the expenditure for the Entity was R 120,990m, which represents a decrease of 14% as compared to the 2014/15 financial year. The significant decrease in expenditure was due to depreciation and amortisation costs were below budget due to the procurement of new assets that was delayed beyond schedule.

Employee benefits were below budget due to appointment of staff that was delayed beyond scheduled. Other expenses were below budget due to cost control on stationery and entertainment expenses. Training budget was not exhausted due to reduced training needs at DLTCs.

LCU support costs were, however, above budget due to the high number of repairs and maintenance to the LCUs – as most of these units have reached the end of their useful lives and therefore required replacement.

The material used to produce driving licences is imported; as a result the Entity incurred foreign exchange losses due to a weaker Rand.

Table 13: Budget vs. Actual Expenditure

Description	2014/15	2014/15		2015/16	2015/16	
	Budget	Actual	(Over) under	Budget	Actual	(Over) under
	R'000	R'000	R'000	R'000	R'000	R000
Cost of Sales	74,550	91,509	(16,959)	60,998	72,941	(11,943)
Contract Services	6,726	4, 421	2,305	5,003	8,726	(3,723)
LCU Support Cost	17,558	14, 526	3,032	4,416	5,145	(729)
Depreciation	26,013	20, 545	5,468	36,148	10,473	25,675
Employee Benefits	15,710	4, 548	11,162	18,756	9,590	9,166
Other Expenses	27,801	4, 767	23,034	59,868	14,115	45,753
Total	168,358	140,316	28,042	185,189	120,990	64,199

CAPITAL INVESTMENT

CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

To enhance service delivery, the Entity is in the process of acquiring new Live Enrollment Units (LEU), which will be rolled out to all the Driving licence Testing Centers (DLTCs) during the 2016/17 financial year.

The Entity will implement a short message system (SMS) communication to applicants, where applicants will be informed of the progress of their licence application, thereby keeping the applicant updated regarding the progress of their licence application at all times.

The Entity is in the process of introducing a newly designed secure driving licence card.

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.

The result of the verification indicated that most of the LCU components were noted as either not in the excellent condition of work or needed to be repaired and maintained. This is due to the fact that most of the LCUs have reached the end of their useful lives.

MAINTENANCE OF LIVE CAPTURE UNITS

At the 31 March 2016 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 R 5,1 million.

Part C:
Governance



2015/16 DRIVING LICENCE
CARD ACCOUNT

ANNUAL REPORT

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 department has good governance structures in place to effectively, efficiently and economically utilise the state resources.

RISK MANAGEMENT

The Accounting Officer for 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. 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 Executive Committee, where risk management related topics 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 Committee meets on a quarterly basis and provides governance oversight over the entire system of risk management, and furnishes the Accounting Officer with the requisite reports in respect of performance of risk management. The Risk 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 the 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 risks faced by the Entity – and their relevant risk response/treatment strategies. This process is conducted quarterly and feeds into the evaluation of the performance environment of the Entity during quarterly performance reviews.

The Entity management is committed to maintaining the highest standards of 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 anticorruption 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 Trading Entity is adhering to 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 Department of Transport.

PORTFOLIO COMMITTEES

The Entity does not have Portfolio Committees.

SCOPA RESOLUTIONS

None

PRIOR MODIFICATIONS TO AUDIT REPORTS

None

INTERNAL CONTROL UNIT

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 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 AND AUDIT COMMITTEES

The mission of Internal Audit and Audit committees 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.
- 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.
- Year-end Reporting.

The table below discloses relevant information on the Audit Committee Members:

Table 14: Audit Committee Members

Name	Qualifications	Internal or External	If Internal position in the Department	Date Appointed	Date Resigned	No. of Meetings attended
Dawood Coovadia	CA (SA)	External	N/A	01 September 2013	N/A	6
Peter Mukheli	Bcompt. (Hons.) CIA	External	N/A	01 April 2014	N/A	4
Zola Fihlani	H. Dip. (Tax Law), H. Dip. (International Tax Law). Mcom. (Tax), CA (SA)	External	N/A	01 September 2013	N/A	5
Nomthandazo Mdanda	Bcom. (Hons.)	External	N/A	01 September 2013	N/A	5
Paul Nel	Bcompt. (Hons.) CA (SA)	External	N/A	01 September 2013	N/A	4

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2016.

AUDIT COMMITTEE RESPONSIBILITY

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

THE EFFECTIVENESS OF INTERNAL CONTROL

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

- The following internal audit work was completed during the year under review:
- Driving License Production Process;
- Quarterly financial reports reviews;
- Performance against strategic objectives;
- IT General controls;
- Contract management Asset Management Debtors Management;
- Follow up Audits;
- Year- end reporting;

The Audit Committee is of the view that the system of internal control on financial statements will be effectively addressed by concerted effort and hard work from management and officials to implement the business plan and to achieve the mandate

RISK MANAGEMENT

The DLCA has an approved Risk Management Strategy, Policy, Plan and Charter and are reviewed on a yearly basis. The Risk Management Committee reports quarterly to the Audit Committee on progress made in implementing the plan, through the Risk Chief Risk Officer and the Chairperson of the Risk Committee.

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 committee is comfortable with the overall level of residual risk across the DLCA.

EVALUATION OF FINANCIAL STATEMENTS

We have reviewed 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. 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.



Mr. Dawood Coovadia CA (SA)
Chairperson of the Audit Committee
Driving Licence Card Account Trading Entity
Date: 27/09/2016

Part D:
Human Resource Management



2015/16 DRIVING LICENCE
CARD ACCOUNT

**ANNUAL
REPORT**

INTRODUCTION

For DLCA to fulfill and achieve its mandate and realise its strategic goals of producing and delivering high security driving licence cards for South Africa, it has to ensure that it has adequately skilled and experienced human resources. Previously, the Entity utilised the services of the Department of Transport's Human Resources Function. The Entity established its own human resource's function in the year under review, however, the function is not yet fully capacitated.

The approved Entity structure consists of 26 funded positions, with 13 positions filled on a permanent basis – some on a contract basis and 13 vacant positions. 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 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 took over 20 staff members from Prodiba to work in registration, production, quality control and stores, to ensure business continuity in addition 4 employees were appointed on a contract basis. The structure has therefore increased to 50 employees currently. The Entity started with the development of the new organisational 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 structure will be approved and implemented in the 2016/17 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. Most of the employees have more than 20 years of experience in their functions.

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 15: Personnel costs by salary band for the period 1 April 2015 to 31 March 2016

Salary Band	Personnel Expenditure (R'000)	% of Total Personnel Cost	No. of Employees	Average Personnel cost per Employee (R'000)
Highly skilled production (Levels 1-8)	7,136	52%	22	297
Highly skilled supervision (Levels 9-12)	4,200	30%	10	420
Senior and Top management (Levels 13-16)	2,484	18%	4	621
Total	13,820	100%	36	1,338

Table 16: Salaries, Overtime, Homeowner's Allowance and Medical Aid by salary band for the period 1 April 2015 to 31 March 2016

Salary Band	Basic Salary		Overtime		Homeowner's allowance		Medical Aid	
	Amount (R'000)	% of Total Personnel Cost	Amount (R'000)	Overtime as a % of Total Personnel Cost	Amount (R'000)	HOA as a % of Total Personnel Cost	Amount (R'000)	Medical Aid as a % of Total Personnel Cost
Highly skilled production (Levels 1-8)	5,886	42,59%	1,247	9,02%	2	0,01%	2	0,02%
Highly skilled production (Levels 9-12)	3,803	27,52%	391	2,83%	3	0,02%	3	0,02%
Senior and Top management (Levels 13-16)	2,479	17,94%	-	-	3	0,02%	1	0,01%
Total	12,168	88,05%	1,638	11,85%	8	0,05%	6	0,05%

EMPLOYMENT AND VACANCIES

Departments have 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 17: Employment and vacancies by salary band as at 31 March 2016

Salary Band	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Highly skilled production (6-8)	12	4	66%	19
Highly skilled supervision (9-12)	10	4	60%	4
Senior management (13-16)	4	2	50%	1
Total	26	10	62%	24

FILLING OF SMS POSTS

Table 18: SMS post information as at 31 March 2016

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	2	66%	1	33%
Total	4	2	50%	2	50%

Table 19: SMS post information as at 30 September 2015

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	1	33%	2	67%
Total	4	1	25%	3	75%

Table 20: Advertising and filling of SMS posts for the period 1 April 2015 to 31 March 2016

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	2	66%	1	33%
Total	4	2	50%	2	50%

REASONS FOR VACANCIES NOT FILLED WITHIN SIX MONTHS

There was a need to revise the organisational structure after the take-over of the production facility, to include functions and positions, which are currently not on the structure. Some of the positions on the current structure are no longer required.

EMPLOYMENT CHANGES

Table 21: Annual turnover rates by salary band for the period 1 April 2015 to 31 March 2016

Salary Band	Number of employees at beginning of period -1 April 2015	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Management (Levels 13-14)	5	-	-	-
(Levels 1-12)	33	-	-	-

The table below identifies the major reasons for staff leaving the Entity.

Table 22: Reasons why staff left the Entity for the period 1 April 2015 to 31 March 2016

Termination Type	Number	% of Total Resignations
Death	-	
Resignation	1	2%
Expiry of contract	-	
Dismissal – operational changes	-	
Dismissal – misconduct	-	
Dismissal – inefficiency	-	
Discharged due to ill-health	-	
Retirement	-	
Transfer to other Public Service Departments	-	
Other	-	
Total	1	
Total number of employees who left as a % of total employment	1	2%

EMPLOYMENT EQUITY

Table23: Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2016

Occupational Category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Legislators, senior officials and managers	2	-	-	-	3	-	-	-	5
Professionals	2	-	-	1	5	-	1	1	10
Technicians and associate professionals	5	3	-	4	7	1		2	22
Total	9	3	-	5	15	1	1	3	37

Table 24: Total number of employees (including employees with disabilities) in each of the following occupational bands as at 31 March 2016

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	-	-	-	-	-	-	-	1
Senior Management	1	-	-	-	3	-	-	-	4
Professionally qualified and experienced specialists and mid-management	2	-	-	1	5	-	1	1	10
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	1	1	-	-	2	1	-	-	5
Semi-skilled and discretionary decision-making	5	2	-	3	5	-	-	2	17
Unskilled and defined-decision making	-	-	-	-	-	-	-	-	-
Total	10	3	-	4	15	1	1	3	37

Table 25: Recruitment for the period 1 April 2015 to 31 March 2016

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

Table 26: Terminations for the period 1 April 2015 to 31 March 2016

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

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 27 Signing of Performance Agreements by SMS members as at 31 May 2016

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	4	5	2	40%
Total	4	5	2	40%

Table 28: Reasons for not having concluded Performance agreements for all SMS members as on 31 March 2016

Reasons
The CFO started in the last quarter of the financial year.

Table: 29 Annual Leave for the period 1 January 2015 to 31 December 2016

Salary band	Total days taken	Number of Employees using annual leave	Average per employee
Lower skilled (Levels 1-2)	-	-	-
Skilled (Levels 3-5)	216	19	11.37
Highly skilled production (Levels 6-8)	43	3	14.3
Highly skilled supervision (Levels 9-12)	141	10	14.1
Senior management (Levels 13-16)	19	4	4.75
Total	419	36	11.64

Table 30: Sick Leave for the period 1 January 2015 to 31 December 2016

Salary Band	Total days taken	Number of Employees using sick leave	Average per employee
Lower skilled (Levels 1-2)	-	-	-
Skilled Levels (3-5)	83	11	7.5
Highly skilled production (Levels 6-8)	-	-	-
Highly skilled supervision (Levels 9-12)	17	4	4.2
Senior management (Levels 13-16)	-	-	-
Total	100	15	6.7

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.

Table 31: Report on consultant appointments using appropriated funds for the period 1 April 2015 to 31 March 2016

Project Title	Duration (work days)	Contract value in Rand
Tekanyo IT services	1 year	R 208,015.42
Forrest Group	1 Year	R 78,755.30
ICT Choice	1 Year	R 221,217.22
Imvume Technology Sol.	1 Year	R 242,718.71
Reatilehise Developments	1 Year	R 589,839.75
Matupunuka ICT	1 Year	R 1,957,736.71
Computers Direct	1 Year	R 314,594.73
Basizi Telecoms	1 Year	R 254,926.28



2015/16 DRIVING LICENCE
CARD ACCOUNT

ANNUAL REPORT

Part E:
Financial Information

Report of the auditor-general to Parliament on the Driving Licence Card Account

Report on the financial statements

Introduction

1. I have audited the financial statements of the Driving Licence Card Account (DLCA) set out on pages 53 to 95, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Public Finance Management Act, 1999 (Act No.1 of 1999) (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.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. 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 2016 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the PFMA.

Emphasis of matters

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

Significant uncertainty related to arbitration matters

8. With reference to note 25 to the financial statements, the trading entity is a participant in arbitration proceedings with a former service provider. The ultimate outcome of these matters could not be determined at the time of this report.

Restatement of corresponding figures

9. As disclosed in note 33 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of errors discovered during 31 March 2016 in the DLCA financial statements at, and for the year ended, 31 March 2015.

Additional matter

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

Material inconsistencies in the annual report

11. The auditor is required to read the annual report to identify material inconsistencies, if any, with the audited financial statements. The draft annual report was not provided and, as a result, I was unable to determine if there were material inconsistencies.

Supplementary information

12. The supplementary information set out on pages 1 to 27, 29 to 45 and 51 to 52 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Report on other legal and regulatory requirements

13. 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 findings on the reported performance information against predetermined objectives of selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objective presented in the annual performance report of the trading entity for the year ended 31 March 2016:
- Objective: Enhance performance and efficiency of the transport sector on page 28
15. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).
16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objective:
- Enhance performance and efficiency of the transport sector.

Additional matters

18. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objective, I draw attention to the following matters:

Achievement of planned targets

19. Refer to the annual performance report on page 28 for information on the achievement of the planned targets for the year.

Adjustment of material misstatements

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the Enhance performance and efficiency of the transport sector objective. As management subsequently corrected the misstatements, I did not identify any material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

21. I performed procedures to obtain evidence that the trading entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Strategic planning and performance management

22. Although quarterly reports were prepared, they were not timeously submitted to the Minister of Transport as required by Treasury Regulation 5.3.1.

Annual financial statements, performance and annual reports

23. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 40(1)(b) of the PFMA. Material misstatements of revenue, other income, provisions, trade and other payables from exchange transactions, receivables from exchange transactions, contingent liabilities, commitments and the statement of comparison of budget information with actual information identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement management

24. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by treasury regulations 16A6.1. Deviations were not always approved by the delegated official, in contravention of Treasury Regulation 16A6.4.

Expenditure management

25. Effective and appropriate steps were not taken to prevent and detect irregular expenditure, as required by section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1.

Internal control

26. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

27. There is a slow response by senior management to address deficiencies noted over the oversight regarding financial and performance reporting and compliance monitoring processes. The delay in the formulation and approval of a policy and reporting framework contributed to the audit outcome.

Financial and performance management

28. A lack of financial and performance reporting discipline and compliance monitoring by senior management has contributed to the material findings identified.

Auditor-General

Pretoria
31 July 2016



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Accounting Officer's Responsibilities and Approval

The Accounting officer is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting officer to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Accounting officer to meet these responsibilities, the PFMA sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting officer has reviewed the entity's cash flow forecast for the year to 31 March 2017 and, in the light of this review and the current financial position, he is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the Accounting Officer is primarily responsible for the financial affairs of the entity, he is supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on pages 47 to 51.

The annual financial statements set out on pages 53 to 95, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 July 2016 and were signed on its behalf by:


Accounting officer

Statement of Financial Position as at 31 March, 2016

		2016	2015
	Note(s)	R'000	Restated*
		R'000	R'000
Assets			
Current Assets			
Inventories	3	7,252	4,893
Receivables from exchange transactions	4	21,880	14,515
Cash and cash equivalents	5	296,902	203,549
		326,034	222,957
Non-Current Assets			
Property, plant and equipment	6	11,400	21,045
Intangible assets	7	132	176
		11,532	21,221
Total Assets		337,566	244,178
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	8	13,052	7,694
Provisions	9	5,012	-
Other financial liabilities	10	1,798	780
		19,862	8,474
Total Liabilities		19,862	8,474
Net Assets		317,704	235,704
Accumulated surplus		317,704	235,704

* see note 33

Statement of Financial Performance

		2016	2015
	Note(s)	R'000	Restated* R'000
Revenue			
Sale of goods		189,342	176,529
Administration fees		37	64
	11	189,379	176,593
Cost of sales	12	(72,941)	(91,509)
Gross surplus		116,438	85,084
Other income			
Other income	13	-	228
Interest received	14	13,611	6,979
		13,611	7,207
Operating expenses			
Advertising		(256)	-
Bank charges		(286)	(256)
Cleaning		(102)	-
Computer expenses		(538)	(52)
Contracted services	15	(8,726)	(4,421)
De-commissioning of Live Capture Unit		(5,012)	-
Debt impairment		5,242	(2,735)
Depreciation, amortisation and impairments	16	(10,473)	(20,545)
Employee costs	17	(9,590)	(4,548)
Entertainment		(701)	(23)
LCU support costs		(5,145)	(14,526)
Lease rentals on operating lease		(1,173)	(65)
Loss on disposal of assets		-	(217)
Loss on exchange differences		(4,193)	(448)
Storage		(115)	-
Postage		(4,415)	-
Printing and stationery		(295)	(127)
Security		(609)	-
Subscriptions		(17)	-
Telephone and fax		(204)	(32)
Training		(273)	(113)
Travel - local		(974)	(575)
Venue		(134)	(124)
		(47,989)	(48,807)
Operating surplus		82,060	43,484
Interest and penalties	18	(60)	-
Surplus for the year		82,000	43,484

* see note 33

Statement of Changes in Net Assets

	Accumulated surplus R'000	Total net assets R'000
Balance at 1 April, 2014	192,220	192,220
Surplus for the year	43,484	43,484
Total changes	43,484	43,484
Balance at 1 April, 2015 restated	235,704	235,704
Surplus for the year	82,000	82,000
Total changes	82,000	82,000
Balance at 31 March, 2016	317,704	317,704

* see note 33

Cash Flow Statement

		2016	2015
			Restated*
	Note(s)	R'000	R'000
Cash flows from operating activities			
Receipts			
Sale of goods and services		189,379	176,529
Interest income		13,611	6,979
Other income		-	292
		<u>202,990</u>	<u>183,800</u>
Payments			
Employee costs		(9,590)	(4,548)
Suppliers		(100,221)	(112,413)
Interest and penalties		(60)	-
		<u>(109,871)</u>	<u>(116,961)</u>
Net cash flows from operating activities	21	<u>93,119</u>	<u>66,839</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(784)	(1,395)
Disposal of property, plant and equipment		-	24
Purchase of other intangible assets	7	-	(176)
Disposal of other assets		-	1,239
Net cash flows from investing activities		<u>(784)</u>	<u>(308)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		1,018	-
Movement in other liability		-	420
Net cash flows from financing activities		<u>1,018</u>	<u>420</u>
Net increase/(decrease) in cash and cash equivalents		93,353	66,951
Cash and cash equivalents at the beginning of the year		203,549	136,598
Cash and cash equivalents at the end of the year	5	<u>296,902</u>	<u>203,549</u>

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and	Reference Note 29
	R'000	R'000	R'000	R'000	R'000	
Statement of Financial						
Performance Revenue						
Revenue from exchange						
transactions						
Sale of goods	165,900	15,800	181,700	189,342	7,642	29.1
Interest received	36,632	(33,143)	3,489	13,611	10,122	29.2
Total revenue from						
exchange transactions	202,532	(17,343)	185,189	202,953	17,764	
Revenue from non-						
exchange transactions						
Transfer revenue						
Levies	-	-	-	37	37	
Total revenue	202,532	(17,343)	185,189	202,990	17,801	
Expenditure						
Personnel	(11,360)	(7,396)	(18,756)	(9,590)	9,166	29.3
Depreciation and amortisation	(36,148)	-	(36,148)	(10,473)	25,675	29.4
Contracted Services	(5,003)	-	(5,003)	(8,726)	(3,723)	29.5
LCU support costs	(4,416)	-	(4,416)	(5,145)	(729)	29.6
Other expenditure	(120,866)	-	(120,866)	(82,863)	38,003	29.7
Total expenditure	(177,793)	(7,396)	(185,189)	(116,797)	68,392	
Operating surplus	24,739	(24,739)	-	86,193	86,193	
Loss on foreign exchange	-	-	-	(4,193)	(4,193)	
Surplus before taxation	-	(24,739)	(24,739)	82,000	106,739	
Actual Amount on						
Comparable Basis as						
Presented in the Budget	-	(24,739)	(24,739)	82,000	106,739	
and Actual Comparative						
Statement						

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and	Reference Note 29
	R'000	R'000	R'000	R'000	R'000	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	7,252	7,252	
Receivables from exchange transactions	32,325	-	32,325	21,880	(10,445)	
Cash and cash equivalents	63,523	-	63,523	296,902	233,379	
	95,848	-	95,848	326,034	230,186	
Non-Current Assets						
Property, plant and equipment	59,321	-	59,321	11,400	(47,921)	
Intangible assets	-	-	-	132	132	
	59,321	-	59,321	11,532	(47,789)	
Total Assets	155,169	-	155,169	337,566	182,397	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	-	1,798	1,798	
Trade and other Payables from exchange transactions	14,215	-	14,215	13,053	(1,162)	
Provisions	-	-	-	5,012	5,012	
	14,215	-	14,215	19,863	5,648	
Total Liabilities	14,215	-	14,215	19,863	5,648	
Net Assets	140,954	-	140,954	317,703	176,749	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	140,954	-	140,954	317,703	176,749	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and	Reference Note 29
	R'000	R'000	R'000	R'000	R'000	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	166,270	15,430	181,700	189,342	7,642	
Interest income	2,458	1,031	3,489	13,611	10,122	
Other receipts	-	-	-	9	9	
	168,728	16,461	185,189	202,962	17,773	
Payments						
Employee costs	(11,360)	(7,396)	(18,756)	(9,590)	9,166	
Suppliers	(111,492)	17,419	(94,073)	(100,193)	(6,120)	
Interest and penalties	-	-	-	(60)	(60)	
	(122,852)	10,023	(112,829)	(109,843)	2,986	
Net cash flows from operating activities	45,876	26,484	72,360	93,119	20,759	
Cash flows from investing activities						
Purchase of property, plant and equipment	(34,470)	(138,022)	(172,492)	(784)	171,708	
Proceeds from sale of other intangible assets	-	(17,900)	(17,900)	-	17,900	
Net cash flows from investing activities	(34,470)	(155,922)	(190,392)	(784)	189,608	
Cash flows from financing activities						
Repayment of other financial liabilities	-	-	-	1,018	1,018	
Net increase/(decrease) in cash and cash equivalents	11,406	(129,438)	(118,032)	93,353	211,385	
Cash and cash equivalents at the beginning of the year	-	-	-	203,549	203,549	
Cash and cash equivalents at the end of the year	11,406	(129,438)	(118,032)	296,902	414,934	

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.

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 Basis of preparation

The annual financial statements have been prepared on historical basis unless otherwise stated, and incorporate the principle accounting policies set out below. Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board. Assets, liabilities, revenues and expenses have not been offset except where offsetting is required or permitted by a standard of GRAP. The principal accounting policies adopted in the preparation of these financial statements are set out below.

Amounts in the financial statements are presented in South African Rand and rounded to the nearest R'000.

Accrual basis

In order to meet its objectives, the financial statements are presented on the accrual basis of accounting. Under this basis, the effects of transactions and other events are recognised when they occur and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. The budget is also recorded on accrual basis.

Going concern

The financial statements are prepared on the assumption that the entity is a going concern and will continue in operation for the foreseeable future.

Judgments, estimates and assumptions

The preparation of annual financial statements in conformity with GRAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

Critical judgments in applying the entity's accounting policies

In the process of applying the entity's accounting policies, as set out below, management has made the following judgments that can significantly affect the amounts recognised in the financial statements.

Accounting Policies

Property, plant and equipment

The carrying amounts of property, plant and equipment are affected with the annual review of useful lives, current residual values and depreciation methods. Property, plant and equipment is 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.

Trade and other receivables from exchange transactions

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

Effective interest rate and deferred settlement terms

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

Useful lives and residual values

The entity re-assesses the useful lives and residual values of property, plant and equipment 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.

Contingent liabilities

Management considers the existence of possible obligations which may arise from legal action as well as the possible non-compliance 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.

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.

1.2 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, licenced, 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.

Accounting Policies

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.

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. 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.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	4 years

1.3 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the

Accounting Policies

inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. 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.

1.4 Cash and cash equivalents

Cash and cash equivalents are measured at amortised 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.

1.5 Receivables from exchange transactions

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

1.6 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.

1.7 Provisions

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Accounting Policies

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Provisions are only used for expenditure for which the provision was originally recognised. The entity does not recognise provision for deficits from future operating activities.

1.8 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.

1.9 Property, plant and equipment

Property, plant and equipment are tangible non-current 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 reporting 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 or fair value 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.

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.

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

Accounting Policies

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

Item	Average useful life
Computer equipment	5 years
Furniture	10 years
LCU	6 years
Office, furniture and equipment	3-10 years
UPS	4 years

The residual value, the useful life and depreciation method of each asset are reviewed at least at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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 test 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.

Accounting Policies

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 uses 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.

Accounting Policies

1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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 tests 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 asset 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 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.

Accounting Policies

Impairment of non-cash-generating assets

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.

1.12 Related parties

Driving Licence Card Account operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.13 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. 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.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of the remaining balance of the liability.

Accounting Policies

Any contingent rents are expensed in the period in which they are incurred.

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.

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease. Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.14 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
Trade and other receivables	Financial asset measured at amortised 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	Financial liability measured at amortised cost

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 financial liabilities

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.

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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.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability in the case of a financial asset.

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.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

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 uncollectability 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.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

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

Accounting Policies

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 :
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of 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.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange

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transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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.

1.15 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, net of trade discounts and volume rebates.

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 method.

1.16 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 deficits 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.

The related cost of providing services recognised as revenue in the current period is included in cost of sales. Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

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1.17 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.

1.18 Capital commitments

Items are classified as commitments where the entity commits itself to future transactions that will normally result in the outflow of resources.

Capital 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.

1.19 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.

1.20 Comparative figures

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

1.21 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.

Accounting Policies

1.22 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.

1.23 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.

All expenditure relating to irregular 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.

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.

1.24 Budget information

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

The approved budget covers the fiscal period from 01-Apr-15 to 31-Mar-16.

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.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April, 2016 or later periods:

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that 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. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that 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.

The standard elaborates on the definitions and identification of:

Notes to the Annual Financial Statements

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 1 April, 2016.

The entity expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the entity's annual financial statements.

Notes to the Annual Financial Statements

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously: Amendments were made to Measurement after recognition, Derecognition and Disclosure. All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2016.

GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)

Paragraphs .07, .08, .19, .22, .23, .37, .38, .40, .45 and .46 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Recognition and measurement and

Disclosure. All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2016.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Notes to the Annual Financial Statements

Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2016.

It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

GRAP 109 – Accounting by Principals and Agents

Where assets and liabilities are recognised, in accordance with other Standards of GRAP by an agent in respect of those transactions that it undertakes on behalf of its principal, it is inappropriate to offset the assets and liabilities recognised, unless another Standard of GRAP permits the offsetting of such amounts

In addition to the disclosure requirements set out in paragraphs .62 to .67, the disclosure requirements applicable to revenue, expenses, assets and/or liabilities recognised in accordance with other Standards of GRAP, shall also be applied. The information disclosed in accordance with this Standard shall be provided for each material principal-agent arrangement and in aggregate for other principal-agent arrangements.

An entity that is a party to a principal-agent arrangement shall disclose::

- A description of the arrangement, including the transactions undertaken;
- whether the entity is the principal or agent and any significant judgement applied in making this assessment;
- significant terms and conditions of the arrangements and whether any changes occurred during the reporting period; and
- an explanation of the purpose of the principal-agent relationship and any significant risks (including any risk mitigation strategies) and benefits associated with the relationship..

The effective date of the amendment is for years beginning on or after 01 April 2016.

The entity expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

Notes to the Annual Financial Statements

	2016	2015
	R'000	R'000
3. Inventories		
Inventories	7,252	28,757
4. Trade and other receivable from exchange transactions		
Trade receivables	24,140	28,757
Cards produced but not yet delivered	(1,164)	(7,904)
Trade and other receivables (impairments)	(1,096)	(6,338)
	21,880	14,515

Driving Licence Card Account does not hold any collateral as security. The fair value of trade and other receivables 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.

Impairment of trade and other receivables from exchange transactions

Opening Balance	(6,338)	(3,604)
(Increase)/decrease in impairment	5,242	(2,734)
	(1,096)	(6,338)

The following is considered as objective evidence that trade receivables are impaired:

All legal collections and avenues have been exhausted

It is uneconomical to initiate legal action or to continue legal pursuit on defaulting debtors

As at 31 March 2016, the age analysis of trade receivables is as follows:

	Not Past due or impaired current R'000	Past due but not impaired > 30 days R'000	Past due but not impaired > 60 days R'000	Past due but not impaired > 90 days R'000	Impaired >120 days R'000	Total days R'000
2016	19,208	2,571	991	402	968	24,140
%	80 %	11 %	4 %	2 %	3 %	100 %
2015	20,182	2,103	702	880	4,890	28,757
%	72 %	8 %	3 %	3 %	14 %	100 %

Notes to the Annual Financial Statements

	2016	2015
	R'000	R'000

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	10	-
Bank balances	26,441	203,549
Short-term deposits	270,451	-
	296,902	203,549

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.

6. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer equipment	876	(262)	614	185	(103)	82
Furniture	3,222	(2,166)	1,056	3,222	(1,888)	1,334
LCU	86,917	(77,593)	9,324	86,917	(67,960)	18,957
Office, furniture and equipment	415	(134)	281	323	(73)	250
UPS	7,490	(7,365)	125	7,490	(7,068)	422
Total	98,920	(87,520)	11,400	98,137	(77,092)	21,045

Notes to the Annual Financial Statements

	2016	2015
	R'000	R'000
	Opening balance	Additions
Computer equipment	82	691
Furniture	1,334	-
LCU	18,957	-
Office, furniture and equipment	250	93
UPS	422	-
	21,045	784
	Depreciation	Impairment loss
	(159)	-
	(264)	(14)
	(9,254)	(379)
	(62)	-
	(297)	-
	(10,036)	(393)
	11,400	

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Computer equipment	141	-	(24)	-	(35)	-	82
Furniture	1,600	-	-	6	(272)	-	1,334
LCU	27,244	33	-	1,151	(9,405)	(66)	18,957
Office, furniture and equipment	160	123	-	-	(33)	-	250
UPS	1,422	-	-	82	(1,080)	(2)	422
	30,567	156	(24)	1,239	(10,825)	(68)	21,045

Fully depreciated assets still in use

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 the assets based on information available at previous reporting dates. These assets are scheduled to be replaced in accordance with the entity's policy in the 2016/17 financial year. The original cost of these assets amounted to R 91 927 695.

Provision for the decommissioning of assets

The entity will be replacing the Live Capture Units (LCUs) with the Live Enrolment Units (LEUs) in the 2016/17 financial year. This was due to be rolled out in 2015/16, however due to the ongoing legal battle with the service provider and the taking over of the card production facility the project was delayed and will now be rolled out in 2016/17. It is estimated that the decommissioning of the LCUs will amount to R 5 011 993.

Notes to the Annual Financial Statements

	2016	2015
	R'000	R'000

7. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer Software	176	(44)	132	176	-	176

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	176	(44)	132

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Total
Computer software	-	176	176

8. Trade and other payables from exchange transactions

Trade payables	9,760	5,111
Income received in advance	1,202	926
Accruals	2,090	1,657
	13,052	7,694

9. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
De-commissioning of Live Capture Units	-	5,012	5,012

The entity will be replacing the Live Capture Units (LCUs) with the Live Enrolment Units (LEUs) in the 2016/17 financial year. This was due to be rolled out in 2015/16, however due to the ongoing legal battle with the service provider and the taking over of the card production facility the project was delayed and will now be rolled out in 2016/17. It is estimated that the decommissioning of the LCUs will amount to R 5 011 993.

Notes to the Annual Financial Statements

	2016	2015
	R'000	R'000
10. Other financial liabilities		
Designated at fair value		
Department of Transport	1,798	780
Balances due from transactions with the 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		
Current liabilities		
Designated at fair value	1,798	780
11. Revenue		
Revenue from sale of goods (Exchange transactions)	189,342	176,529
Revenue from administration fees (Non exchange transactions)	37	64
	189,379	176,593
12. Cost of sales		
Sale of goods		
Direct Material	68,229	91,509
Direct Labour	4,386	-
Other overheads	326	-
	72,941	91,509
13. Other income from non-exchange transactions		
Sundry income	-	228
14. Investment revenue		
Interest revenue		
Bank	13,354	6,614
Interest charged on trade and other receivables	257	365
	13,611	6,979
15. Contracted services		
Audit Fees	1,661	2,015
Consulting - Other	4,581	2,406
Legal fees	2,484	-
	8,726	4,421

Notes to the Annual Financial Statements

	2016	2015
	R'000	R'000
16. Depreciation, amortisation and impairments		
Computer equipment	159	35
Office, furniture and equipment	62	33
UPS	297	1,081
Furniture	278	272
LCU	9,633	9,471
Computer software	44	-
Other assets	-	9,653
	10,473	20,545
17. Employee related costs		
Basic	9,434	4,370
Non- executive emoluments	156	178
	9,590	4,548
18. Interest and penalties		
Late payment of tax	60	-
19. Financial assets by category		
Loans and receivables		
Trade and other receivables from exchange transactions	21,880	14,515
Cash and cash equivalents	296,902	203,549
	318,782	218,064
20. Financial liabilities by category		
Trade and other payables from exchange transactions	18,209	7,694

Notes to the Annual Financial Statements

	2016	2015
	R'000	R'000

21. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES

Surplus	82,000	43,484
Adjustments for:		
Depreciation, amortisation and impairment	10,473	20,545
Gain on sale of assets and liabilities	-	217
Movements in provisions	5,012	-
Changes in working capital:		
Inventories	(2,359)	(4,893)
Receivables from exchange transactions	(7,365)	18,170
Trade and other Payables from exchange transactions	5,358	(10,684)
	93,119	66,839

22. Commitments

Capital	183,074	35,244
Operational	17,169	-
	200,243	35,244

The commitment relates to the future transactions that will result in the outflow of resources.

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 a LCU problem that needs to be fixed. The billing is R320.00 per hour for labour and R3.92 per kilometer for travelling.

The entity also utilises the services of GearUp Couriers for the delivery of cards. The entity is charged R50.69 for the first 2kg, and R21.92 per rates per kg thereafter.

Operating lease commitments - the entity as lessee

The future minimum payments payable under operating lease are as follows:

Minimum lease payments due

- within one year	1,222	40
- in second to fifth year inclusive	15	52
- later than five years	-	-
	1,237	92

The entity entered into a lease agreement for the two printers. The lease term is 36 months with an option of renewal. The monthly rental is R 1,431.17 and R 1,859.29 respectively with no escalation clause.

The 2014/2015 amounts for photocopying machines were incorrectly disclosed due to incorrect monthly rental rates that were used in the calculation. The disclosure has been adjusted by R5,216.

Notes to the Annual Financial Statements

	2016	2015
	R'000	R'000

The entity entered into a lease agreement for the building. The lease term is 20 months with no option of renewal. The monthly rental is R 131,670.00.

23. 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 2015 and 31 March 2016.

Purchase of material	68,229	91,509
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Interest rate 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 2016 was R13 354 (2015: R6 614)

The interest rate re-pricing profile at 31 March 2016 is summarised as follows:

	Floating rate	Floating rate
Cash and cash equivalents	296,902	203,549
% of total bank balances	100 %	100 %

Notes to the Annual Financial Statements

	2016	2015
	R'000	R'000

Liquidity risk management

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:

2016	Within 1 month R'000	1-3 months R'000	3-12 months R'000	1-5 years R'000	Total R'000
Financial assets					
Trade and other receivables	12,710	6,922	3,525	983	24,140
Inventory	7,252	-	-	-	7,252
Cash and cash equivalents	296,902	-	-	-	296,902
	316,864	6,922	3,525	983	328,294
Financial liabilities					
Trade and other payables	-	-	18,209	-	18,209
2015	Within 1 month R'000	1-3 months R'000	3-12 months R'000	1-5 years R'000	Total R'000
Financial assets					
Trade and other receivables	2,195	16,758	8,878	926	28,757
Cash and cash equivalents	203,549	-	-	-	203,549
Inventory	4,893	-	-	-	4,893
	210,637	16,758	8,878	926	237,199
Financial liabilities					
Trade and other payables	-	-	15,753	-	15,753

Credit risk management

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.

At 31 March 2016, 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.

Notes to the Annual Financial Statements

	2016	2015
	R'000	R'000

Fair value of financial instruments

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 2016 and 31 March 2015, the carrying amounts of cash and deposits, accounts receivable, accounts payable 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.

24. Related party transactions

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 the 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.

Related party balances

Loan accounts - Owing to related parties

Department of Transport	1,798	780
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Key management personnel compensation

The following emoluments were paid to the Audit Committee Members:

2016	Fees as Audit Committee member	Other services (Travel claim)	Total
	R'000	R'000	R'000
Audit committee members			
Dawood Coovadia (Chairperson)	57	7	64
Zola Fihlani	30	1	31
Nomthandazo Mdanda	30	3	33
Paul Nel	-	-	-
Peter Mukheli	39	8	47
	156	19	175

Notes to the Annual Financial Statements

		2016	2015			
		R'000	R'000			
2015		Fees as Audit Committee member	Other services (Travel claim)	Total		
		R'000	R'000	R'000		
Audit committee members						
		63	12	75		
		38	3	41		
		-	1	1		
		46	2	48		
		-	1	1		
		31	5	36		
		178	24	202		
2016	Sub notes	Basic salary	Bonus / performance payments	Retirement and medical aid	Other allowances	Total
		R'000	R'000	R'000	R'000	R'000
Executive management						
		-	-	-	-	-
	1	238	-	-	-	238
	2	730	-	52	3	785
		776	-	101	12	889
		821	-	-	-	821
	3	456	27	39	-	522
		524	52	2	-	578
		3,545	79	194	15	3,833

Notes to the Annual Financial Statements

Sub notes

1. Chief Financial Officer: Ms Zinhle Ntuli was appointed on 04 January 2016.
2. Acting Chief Financial Officer: Ms H Ramugadi's acting appointment expired on 31 December 2015.
3. Senior Manager Corporate Service: Ms Mpho Manyasha was seconded to Driving Licence Card Account from the Department of Transport on 01 September 2015 for a period of 9 months.

2015	Basic salary	Bonus / per- formance payments	Retirement and medical aid	Other allowances	Total
	R'000	R'000	R'000	R'000	R'000
Executive management					
Ms Rendani Sadiki- CFO/Acting CEO	382	21	50	239	692
Mr A Managa- Director- Operations	573	59	75	129	836
Mrs H Ramugadi- Acting CFO	373	25	48	399	845
	1,328	105	173	767	2,373

25. Contingent liabilities

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. Application to retain 2014/15 surpluses of R43,484,000 has been submitted to National Treasury and still waiting for approval. The retention for current year surplus of R 82,000,000 has not been approved.

The entity had a dispute with one of the service providers regarding a contract that was unlawfully extended. The matter went to court and the court ruled in favour of the entity.

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 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.

Notes to the Annual Financial Statements

	2016	2015
	R'000	R'000

26. Fruitless and wasteful expenditure

Interest and penalties on late payments: SARS	60	-
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The total fruitless and wasteful expenditure was referred to Acting Head for further investigation. The Management is still awaiting the outcome of the investigation.

27. Irregular expenditure

Opening balance	72	-
Add: Irregular Expenditure - current year	43,023	72
Less: Amounts recoverable (not condoned)	(27)	-
	43,068	72

Analysis of expenditure awaiting condonation per age classification

Current year	43,068	-
Prior years	-	-
	43,068	-

Details of irregular expenditure – current year

	Disciplinary steps taken/ criminal proceedings		
Employee related costs	Condoned	1,370	-
Three quotations not obtained	Under investigation	313	-
Unsolicited supplier	Condoned	68	-
Bid process not followed	Under investigation	9,780	-
Deviation not approved by appropriate delegated investigation official	Under	25,410	-
Preferential procurement regulations not followed	Condoned	580	-
Suppliers not on the SITA database	Under investigation	1,208	-
Supply chain management process not followed		4,294	-
Condoned (Ceded contracts)			
		43,023	-

Notes to the Annual Financial Statements

	2016	2015
	R'000	R'000

Unsolicited supplier

During the financial year the DLCA accepted an unsolicited proposal from Maputunuka to develop the LCU software patch for the activation code problem. The contract between two parties (Maputunuka and DLCA) was concluded on 23 March 2016 to the value of one hundred and fifty thousand Rand.

Suppliers not on the SITA database

The DLCA used value for money as the entity found that the suppliers that are registered on the SITA database are more expensive.

Delegations and Policy & Reporting framework

During the financial year the Accounting Officer delegated his powers to the Acting Head of the DLCA in terms of section 44 (1) of the PFMA specifically section 44(1)(b).

The Auditor General of South Africa (AGSA) deems these delegations inadequate and 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 amount to R 25,409,550. The process for condonation will take effect in 2016/17 financial year.

Ceded contracts

The entity was not in a position to follow the normal procurement processes as it needed to ensure the continuity of the manufacturing of the driving licence cards. The reasons for deviation were not accepted by Auditor General.

Details of irregular expenditure condoned

The irregular expenditure amounting to R 6,312,107 was condoned subsequent to year end, this amount will be reflected in the 2016/2017 financial year.

Details of irregular expenditure recoverable (not condoned)

Employee related costs

27

28. Events after the reporting date

Prodiba has made an application to the North Gauteng High Court of South Africa for liquidation. The reason provided was that Prodiba's sole revenue was derived from the manufacturing and production of drivers licence cards for the Driving Licence Card Account. Prodiba also indicated that due to the termination of the agreement with the Driving Licence Card Account, Prodiba is no longer in business and has ceased trading. Furthermore, Prodiba indicated that since they have ceased trading, they have no source of income and no realisable assets.

Notes to the Annual Financial Statements

	2016	2015
	R'000	R'000

The lease contract between Driving Licence Card Account and SITA for the building was signed in June 2016. It was agreed that the lease contract will be effective from 01 May 2015.

29. Budget differences

Material differences between budget and actual amounts

29.1 Sales of goods

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

29.2 Interest received

Interest received is higher than the budgeted amount as the entity had anticipated to buy the live enrolment units in the 2015/16 financial year, as a result excess funds were invested and yielded higher returns than budgeted for.

29.3 Employee costs

Personnel benefits are below budget due to the appointment of staff that was delayed beyond schedule.

29.4 Depreciation, amortisation and impairment

Depreciation and amortisation costs were below budget due to the procurement of new assets that was delayed beyond schedule.

29.5 Contracted services

Contract services were above budget due to the legal battles between the entity and the service provider.

29.6 LCU support

LCU support costs were above budget to the high demand of repairs and maintenance to the LCUs.

29.7 Other expenditure

Other expenditure was below budget to cost control on stationery and entertainment expenses. Training budget was not exhausted due to reduced training needs at DLTCs. Travel and accommodation and Rental (venue) expenses were below budget due to the lease agreement that has not yet been signed.

Budget adjustment

The adjustment was due to the roll out of Live Enrolment Units (LEUs) that was planned to be done in the 2015/16 financial year. The roll-out is now due to be rolled out in 2016/2017 financial year due to unforeseen delays.

Sale of goods was adjusted due to the expected increase in the demand of driving licence cards.

Notes to the Annual Financial Statements

	2016	2015
	R'000	R'000

The budget for interest received from invested funds was reduced as the entity anticipated to acquire the new Live Enrollment Units (LEUs) in the 2015/16 financial year.

Employee benefits were adjusted due to the anticipation of the entity to appointment new staff members. However, the appointment of staff was delayed beyond schedule.

30. 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 EXCO and includes a note to the annual financial statements.

Driving licence card material was 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 Accounting Officer who considered them and approved the deviation from the normal supply chain management regulations.

Deviation

Impractical	8,856	-
Sole service provider	310	-
	9,166	-

31. Approval of financial statements

The Annual Financial Statements set out on pages 5 to 43 have been approved by the Accounting Officer.

32. Comparative figures

Certain comparative figures have been reclassified.

Debt impairment was incorrectly classified as the other income.

The effects of the reclassification are as follows:

Statement of Financial Performance

Increase in other income	-	2,735
Increase in operating expenses	-	(2,735)

Notes to the Annual Financial Statements

	2016	2015
	R'000	R'000

33. Prior period errors

Other Assets

This was reflected as LCUs that were delivered but not yet ready for use. However upon investigation it was noted that these LCUs had been included in the prior year asset register, and were these LCU had been depreciated as they and were in use by various DLTCs. This error only affected the period ended 31 March 2015.

Prepayments

This was incorrectly recorded as a prepayment, Entity didn't pay Prodiba due to none submission of completion certificates. This error only affected the period ended 31 March 2015.

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

Statement of financial position

Decrease in other assets	-	(521)
Decrease in prepayments	-	(155)
Decrease in trade and other payables from exchange transactions	-	(155)

Statement of Financial Performance

Increase in asset impairment	-	521
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2015/16 DRIVING LICENCE
CARD ACCOUNT

ANNUAL REPORT

Telephone Number: +27 12 347 2522

Address: 459B Tsitsa Street,
Erasmuskloof, Pretoria 0181



Driving Licence Card Account

Department:
Transport:
REPUBLIC OF SOUTH AFRICA