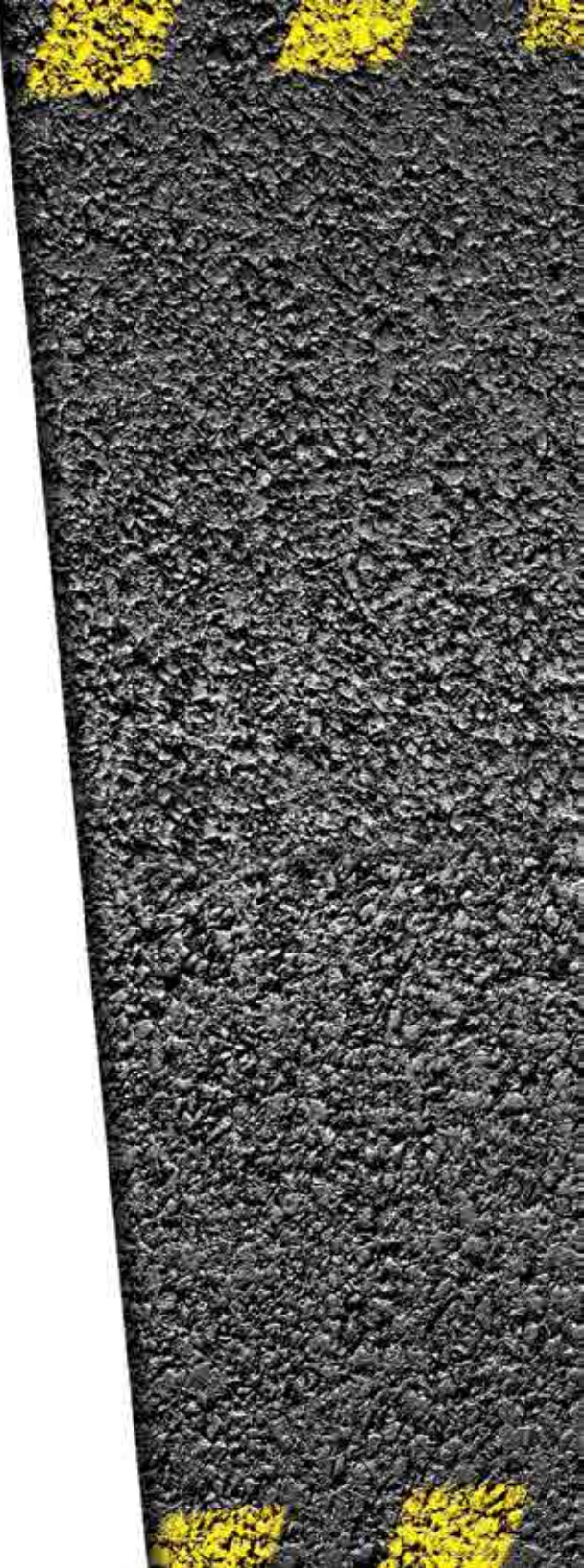
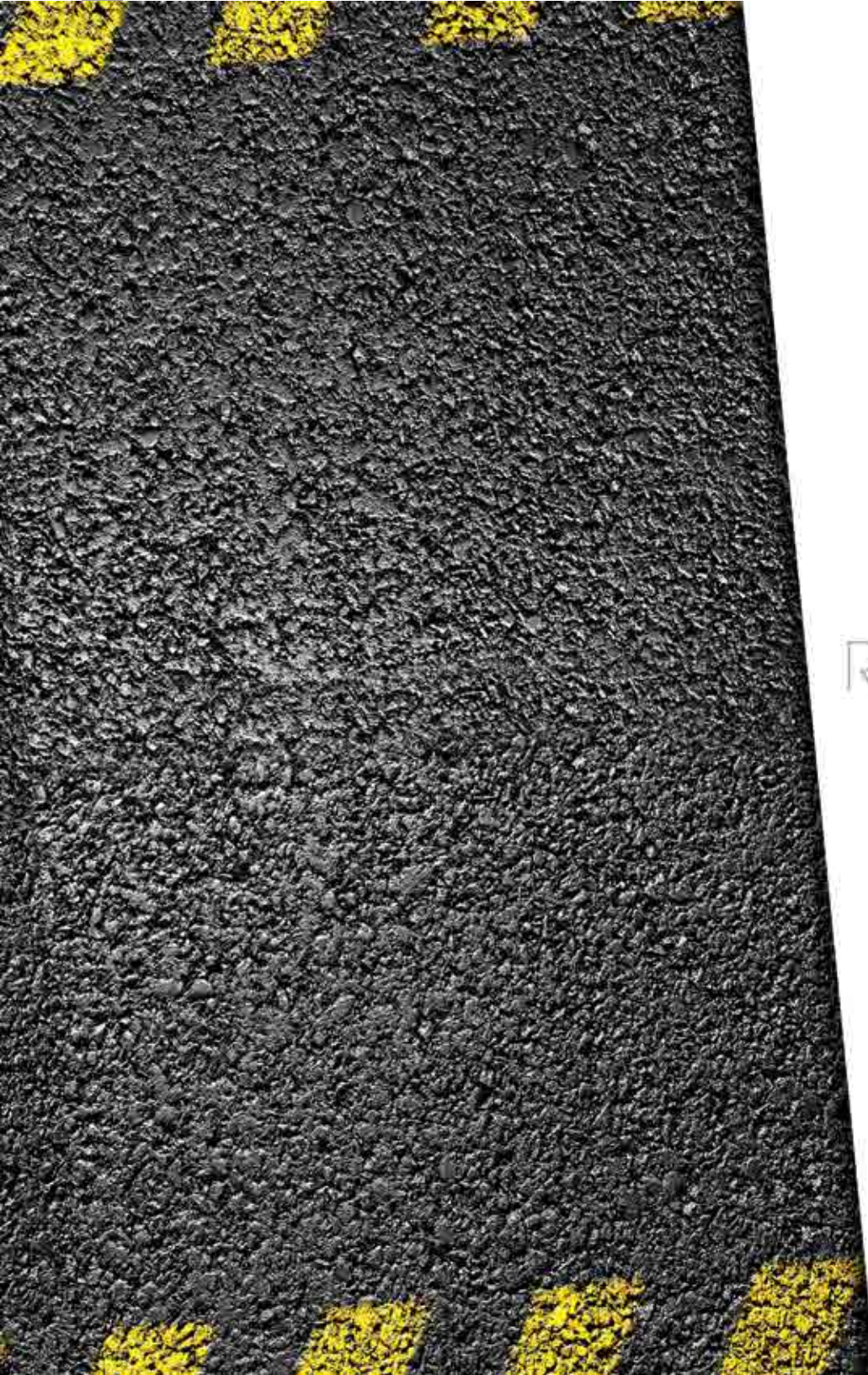




**ROADS AGENCY LIMPOPO**  
*Together for better roads*

Annual Report  
2012/13





Roads Agency Limpopo (RAL)  
Together for better roads



## CONTENTS

MEC's Statement .....	4
Chairperson Statement .....	6
Acting CEO Statement .....	8
About Roads Agency .....	10
Management Report .....	14
Employment Equity Report .....	16
Performance Evaluation .....	22
Project Outputs 2012-2013 .....	54
Audit and Risk Committee Report.....	60
Annual Financial Statements .....	62

## MEC Statement



“ We are proud to express that the trail of magnificent road infrastructure already achieved by RAL since its establishment is motivation enough that a lot more can be achieved moving forward. ”

The 2012/13 Annual Report for Roads Agency Limpopo represents an undesirable state of affairs in the history of the Agency. It is chapter in the life of an organization characterized by collapse of both management and governance systems and process in direct violation of the rules of the game and acceptable good governance practices. Truth be told, RAL has been plunged into a deep crisis at the helm of men and women who ought to have been its custodians and that of the public resources.

I hasten to state categorically that as the successor in title, I take full responsibility of the Agency's affairs as a going concern. The tragedy that bedeviled RAL in the last few years must be a lesson to all of us, duty bearers who are seized with a responsibility to serve the public both as civil servants, accounting authorities and public representative. History must never be allowed to repeat itself. The commitment of our government under ANC to clean governance is unflinching.

Our determination to achieve the objectives for which RAL was established for even under difficult and restraining conditions shall be realized. We are proud to assert that the trail of magnificent road infrastructure already achieved by RAL since its inception is motivation enough that a lot more can be achieved moving forward. We are resolute that we can achieve more with less. This is informed by the minuscule resources at our disposal which will indeed not deter us from achieving our objectives. RAL has in the past triumphed over difficult conditions including natural disasters, by rebuilding destroyed road infrastructure thereby reconnecting communities with the rest of the world. All this and many other testimonies are an indication that despite going through daunting challenges RAL shall overcome and provide the people of Limpopo with the deserved quality road infrastructure.

The last few years have been difficult for this entity. However, working together with the intervention team in terms of section 100 (1) (b) of the Constitution of the Republic of South Africa we remain on course to bringing stability and efficiency at RAL. This will see us doing things better and faster. We need to do this for the benefit of our stakeholders and ultimately the people of Limpopo. We are fully aware that many of our rural areas have a great potential to attract economic investments, however, lack of proper road infrastructure remains a serious impediment. We will, however, work with speed to turn the situation around in order for us not to lose these investments, and ensure that we achieve our vision of sustainable growth.

Together we shall overcome the difficulties which RAL had to go through and remain confident that with the resources at our disposal we shall achieve our objectives. Sound road infrastructure is a recipe for economic development and sustainable growth.

Together, we can do more



---

Mr Lehlogonolo Masoga, MPL  
MEC: Limpopo Roads and Transport



## Chairperson Statement

“ Our view is that all districts within Limpopo must equally benefit from the resources allocated, without us ignoring other important factors as we prioritize certain strategic roads.”

Roads Agency Limpopo (RAL) remains a critical vehicle for the delivery of roads infrastructure in the Limpopo Province. Given the size of the Limpopo Province and the backlog in terms of dirt and gravel roads, RAL is faced with an enormous challenge of ensuring that the much needed service is delivered equally to all districts of Limpopo which are mostly rural.

Currently, the Province has 21909km of roads and only about 7239km are tarred and the rest is either dirt or gravel. Added to the huge backlog, we continue to lose more tarred roads due to shortage of funds to maintain them. This presents a major challenge to us, Board of Directors as we need funds in order to effectively guide RAL to greater heights.


Since our appointment as the Board of Directors, we have made it a priority that corporate governance is upheld and RAL remain beyond reproach in terms of compliance with the laws of the country. In the provision of our oversight role, we endeavour to make RAL distinct in its conduct and operations. Our aim is to have an organization that understands that serving the people of Limpopo and South Africa at large is bigger than any other role and therefore requires dedication and commitment. We want an organization with solid policy framework.

We have been working closely with the Intervention Team brought about by Section 100 (1) (B) of the Constitution to address some of the identified weaknesses. We are confident that our collective efforts will continue to produce positive results. Given the responsibility bestowed on us, it is important that the Agency becomes agile in addressing the needs of the Limpopo residents. Road Infrastructure plays a major role in accelerating social and economic transformation in the country. It is through well built and maintained roads that the delivery of raw material is expedited, among others.

Our view is that all districts within Limpopo must equally benefit from the resources allocated, without us ignoring other important factors as we prioritize certain strategic roads. We clearly understand that more funding is required for RAL to achieve more. We are currently looking at ways in which RAL can generate funds to address the huge roads infrastructure backlog.

Let me lastly thank all employees of RAL for their continued contribution. We could not have come this far without them. On behalf of the Board, I also would like to express words of appreciation to the Shareholder for his unwavering support.

Thank you once more.



---

Mr MM Mokonyama (Accounting Authority)  
On behalf of the Board of RAL  
In terms of Section 100 (1)(b) of the constitution of the Republic of South Africa, Act No. 108 of 1996.

## Acting CEO Statement



“ We sincerely appreciate the long term relationship we have and hope that it stays even strong so that we can collectively and properly serve the people of Limpopo well. ”

Let me extend my words of gratitude to all employees who, despite all challenges experienced during the financial year 2012/13, remained strong and determined to see Roads Agency Limpopo making a meaningful contribution. We could not have come this far without their dedication.

The Auditor-General has completed yet another annual audit on RAL and the results are telling a story that requires us to improve on critical areas, especially infrastructure assets management. RAL management will continue to strive for a better organization that adheres to the prescripts of law. We fully understand that the processes of building roads require skill, diligence, objective criteria, transparency and fairness. These are services that are dear to the hearts and minds of our stakeholders, especially Limpopo residents. We want to ensure that the long term relationship we have with them remains unshaken.

Despite the challenges we faced in the year under review, this Annual Report will provide our stakeholders with a picture of what happened and further help them identify areas within which they can participate and work with us. We sincerely appreciate the long term relationship we have and hope that it stays even strong so that we can collectively and properly serve the people of Limpopo well. As management, supported by the Board, we continue to advocate for more funding in order to make meaningful progress in reducing the gravel roads in the Province.

With the cost of building roads growing even more, the Agency was only able to upgrade 33.70 km, rehabilitated 78km and built 3 bridges for the 2012/13 financial year. We fully understand that to the ordinary residents of the Limpopo this may seem insignificant considering their expectations. A number of communities have been visiting our offices demanding roads in their areas. These are some of the challenges we are tirelessly trying to address and we hope that the situation will change significantly soon.

All we ask from our stakeholders is that as a collective, we remain "together for better roads" so that we can achieve more.



---

Ms M Motsepe  
Acting CEO

## About Roads Agency

“ Roads Agency Limpopo (RAL) is a statutory body established under its constitutive Act, the Northern Province Roads Agency Proprietary Limited Act and Provincial Roads Act 7 of 1998. ”



“ Roads Agency Limpopo was established to own and manage the Provincial road network of the Limpopo Province. ”

**Roads Agency Limpopo (RAL) is a statutory body established under its constitutive Act, the Northern Province Roads Agency Proprietary Limited Act and Provincial Roads Act 7 of 1998 and amended by the Northern Province Roads Agency Limited and Provincial Roads Amendment Act 3 of 2001. The Agency is registered under the Company's Act No 71 of 2008. Its registered name is the Roads Agency Limpopo SOC Ltd. RAL has been operational since 1999.**

Roads Agency Limpopo was established to own and manage the Provincial road network of the Limpopo Province. Its responsibilities are to plan, design, and upgrade, maintain and control the usage of roads and their reserves. The entire network of provincial roads is 21 909 km. The implementation of the aforesaid functions is done through the outsourcing process and managed by internal team of engineers. The total staff complement of RAL is 73. The technical operations of the Agency are handled by Engineers assisted by administrators, environmental, social, health and safety support staff. RAL reports to the LIMPOPO MEC for Roads and Transport. The MEC for Roads and Transport as the shareholder, appoints the Board of Directors who carries out the oversight responsibility for the Agency. The Board is the custodian of corporate governance and is responsible for the strategic direction and control of RAL. The Board ensures that the Agency is a responsible corporate entity and complies with relevant laws, regulations and standards. The Agency is managed by the Chief Executive officer who reports to the Board of Directors.

## STRATEGY

### VISION

A Leading path for Limpopo's sustainable growth

### MISSION

- To provide sustainable roads infrastructure network;
- To link the economic growth areas;
- To spearhead the province through innovative leadership;
- To be an enabling, supportive and learning organisation;
- To be excellent and efficient in the culture of service delivery
- To remain dedicated, ethical, responsive and proactive staff

## RAL'S STRATEGIC GOALS

- Effective road management
- Revenue generation
- Good corporate governance
- Stakeholder relations
- Effective organisational systems through
- Support for the Provincial Employment and Growth Development Strategy

## CORPORATE VALUES

The way we conduct ourselves and our business in pursuit of our vision and mission is underpinned and guided by the following corporate values:

- Commitment  
We are committed to serving the province with pride
- Reliability  
We offer reliable, safe and economic roads infrastructure
- Efficiency  
We will go an extra mile in serving our communities
- Accountability  
We remain accountable to all our stakeholders
- Transparency  
We are transparent in both our internal and external business processes
- Excellence  
We exceed expectations
- Teamwork  
Together for better roads
- Diversity  
We value and embrace diversity within the work context

## THE BOARD OF DIRECTORS

Mr P Tshisevhe  
Ms MM Maponya CA (SA)  
Mr PR Masehela  
Mr T Makofane  
Mr TL Mazibuko  
Mr JR Bilankulu  
Ms M Motsepe –RAL Acting Chief Executive Officer

## BOAD COMMITTEES

The Board of Directors has delegated certain functions to the following committees:

## AUDIT AND RISK COMMITTEE

### Primary responsibilities

- Oversee integrated reporting
- Examine and Review Annual financial statements
- Oversee the external audit processes
- Oversee and monitor risk management processes

### Members of the committee

Ms MM Maponya CA (SA) Chairperson  
Ms MMM Thindisa (resigned)  
Mr PR Masehela

## HUMAN RESOURCES AND REMUNERATIONS COMMITTEE

### Primary responsibilities

- Ensure efficient management of human resources
- Ensure implementation and monitoring of a viable sustainable plan for the organisation
- Ensure fair and responsible remuneration of directors, senior management and staff
- The appointment and evaluation of the CEO's performance
- Appointment of senior management

### Members of the Committee

Ms MMM Thindisa (resigned)  
Adv. R Naidoo –Chairperson (resigned)

## CONTRACTS AND PLANNING COMMITTEE

### Primary responsibilities

- Ensure the integrity of the Agency's tender process and compliance with applicable procurement legislation
- Approve and oversee the Agency's procurement policies

### Members of the Contracts and Planning Committee

Adv. R Naidoo (resigned)  
Mr T Makofane

## Management Reports

### **Purchasing of goods and services**

Roads Agency Limpopo (RAL) continues to procure goods and services at optimal cost, while giving due regard to the provisions set out in the Public Finance Management Act of 1999, Treasury Regulations and Framework for Supply Chain Management and related pieces of legislation.

### **Value for money**

The agency seeks to obtain value for taxpayers' money at every stage of the purchasing supply chain, while ensuring efficient and cost-effective purchasing processes that maximise the fairness and consistency for all service providers who compete for the agency's business.

### **Open and fair competition**

The agency aims to maintain an open and competitive purchasing process with sufficiently detailed purchasing documents and an effective purchasing management system.

### **Accountability and risk management**

RAL aims to ensure clear lines of communication in the purchasing process and areas of responsibility, ensuring compliance with the policy, the adoption of best practice and the achievement of procurement outcomes, while maintaining a procurement audit trail through effective records management.

The supply chain management process has four basic and important elements, namely: demand management, acquisition management, logistics management and disposal management.

Although the processes are mentioned separately, they overlap and should be looked at as cross-functional elements. In order to account and monitor the process properly, risk management is taken into consideration.

### **Demand management**

Demand management is the first phase of the Supply Chain Management (SCM) process and forms part of the agency's strategic plan. Before procurement takes place, accounting officers ensure that procurement of goods and services are in line with the budget for the financial year.

**The following factors are taken into consideration:**

- Understanding current and future needs
- Requirements are in line with the budget
- Specifications should be determined
- The needs must be in line with the agency's strategic plan

**The following actions are undertaken:**

- Determine the quantities required to satisfy the need
- Determine the conditions of available assets
- Determine and describe new asset requirements
- Determine frequency of the need
- Provision for maintenance of existing as well as new assets
- Link expenditure to the budget
- Compilation of a risk management plan for complex and high-value projects

**Acquisition management**

RAL is responsible for its own procurement processes within the National Treasury Frameworks.

It is the chief financial officer's (CFO) responsibility to delegate to the head of the supply chain management unit to appoint and lead cross-functional teams. These teams should be broad-based so as to include representatives from the various relevant disciplines. The adjudication committee follows the process, from the identification of requirements, to the procurement of goods and services. The members' collective knowledge should be focused on the improvement of the business strategy.

**Logistics management**

Logistics management is the process of dealing with movable goods, starting at the site of an order, to the point at which the asset becomes redundant. At this stage it is the duty of the CFO to apply his or her insight into: contract management and contract administration; ordering in terms of the contract; assessing the supplies of quality goods, and managing the catalogue to make sure that assets are uniform.

**The receiving department is responsible for:**

- Receiving of goods and quality control
- Storage of goods and notification of the finance division to provide them with barcodes before dispatching the goods to other divisions

**The office of the CFO is also responsible for:**

- Asset management
- Risk management

**Disposal management**

It is at this point that the CFO determines which items are no longer usable and may be disposed of.

All assets are depreciated and disposed of in accordance with SARS rates. It is crucial for the CFO's office to keep a record or a database of all redundant items.

Before an asset can be disposed of, it must be inspected for potential re-use.

In the disposal process preference is given to employees of the agency, thereafter the public can be invited for bidding unless it is deemed appropriate to donate the goods to needy causes.

In terms of desktops and laptops, staff is given preference and then the Department of Education is able to donate any remaining assets to needy educational institutions.

All interested parties submit bidding documents for the items on the disposal list. The documents are placed in the quotation tender box and are publicly opened.

Should the sale of the movable assets not be at market related value, by price quotation, competitive bid or auction, the reasons for the disposal in such manner must be motivated, certified and recorded for auditing purposes by the accounting officer or his/her delegate.

**Commercial development of land assets**

In line with requirements by the Public Finance Management Act, RAL has implemented measures to ensure optimal usage of public assets within its control. In this case, RAL continues to increase the value of its land assets by, amongst other things, the upgrading of gravel roads.

These land assets are utilised mainly for advertising, access and egress to trading facilities as well as wayleaves. This is a revenue-generating activity which adds to, though minimally, the allocated budget.

**Policy platform**

RAL operates on a solid policy platform that covers all areas of the agency requiring policies. The board pays particular attention to the effectiveness and relevance of policies, considering all policies before implementation.

**Legal matters**

The board and management of RAL are responsible for ensuring that policy provisions are adhered to, in a manner that they do not contradict any legislative provisions.

**Environmental management**

In the implementation of projects, RAL endeavours at all times to comply with all relevant statutory requirements, such as environmental impact assessments and management of borrow pits. Information dissemination on projects is conducted throughout the project cycle in order to create awareness in the communities and amongst project participants.

In the execution of projects, RAL normally encounters serious challenges with the management of borrow pits. RAL manages these incidents by strictly adhering to the provisions of the law.

# Employment Equity Report

## EMPLOYMENT EQUITY

Roads Agency Limpopo is committed to transforming into a representative institution and recognizes that meeting the requirements of the Employment Equity Act is a business imperative.

The following factors contributed to the accomplishment of the employment equity goals and objectives during the period 2011/2012:

- One African male and one African female appointed to increase the representation of people from designated groups at junior management level.

A five-year employment equity plan expiring at the end of this reporting period and a new plan will be submitted in 2013. This plan shall embrace measures to redress the imbalance in representation at the top and senior management levels over the medium-to-long term.

## EMPLOYMENT EQUITY STATISTICS

For 2011/2012 in terms of equity statistics, there was no significant increase in terms of full time appointment of people from designated groups in different occupational levels, however, two employees were appointed full-time at the semi-skilled level.

Some success in improving the representivity of designated groups has been achieved; however progress has been slow in terms of improving representation in senior and top management levels.

To achieve the improved representation, RAL has adopted a policy of employment equity appointments to address the imbalance and under-representation of people from designated groups.

The employee profile below reflects demographics in category and occupational levels within Roads Agency Limpopo.

# Roads Agency Limpopo Employees Profile for the period 1 September 2011 to 31 October 2012

## Employee breakdown by category

Occupational Categories	Male				Female					White Male		Foreign Nationals		TOTAL
	A	C	I		A	C	I	W		W		Male	Female	
Legislators, senior officials and managers	7	0	0		3	0	0	0	2		0	0	12	
Professionals	14	0	0		8	0	0	1	1		0	0	24	
Technicians and associate professionals	5	0	0		5	0	0	0	0		0	0	10	
Clerks	6	0	0		17	1	0	1	0		0	0	25	
Service and sales workers	0	0	0		0	0	0	0	0		0	0	0	
Skilled agricultural and fishery workers	0	0	0	0	0	0	0	0	0	0	0	0	0	
Craft and related trades workers	0	0	0		0	0	0	0	0		0	0	0	
Plant and machine operators and assemblers	0	0	0		0	0	0	0	0		0	0	0	
Elementary occupations	1	0	0		3	0	0	0	0		0	0	4	
TOTAL PERMANENT	32	0	0		37	1	0	2	3		0	0	75	
Non-permanent employees	5	0	0		3	0	0	0	0		0	0	8	
GRAND TOTAL	37	0	0		40	1	0	2	3		0	0	83	
Persons with disabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	



“ Roads Agency Limpopo is committed to transforming into a representative institution and recognizes that meeting the requirements of the Employment Equity Act is a business imperative.”

# Roads Agency Limpopo Employees Profile for the period 1 September 2011 to 31 October 2012

Employee profile by occupational level

Occupational Levels	Male			Female				White Male	Foreign Nationals		TOTAL
	A	C	I	A	C	I	W		Male	Female	
										W	
Top management	3	0	0	1	0	0	0	1	0	0	6
Senior management	0	0	0	2	0	0	0	1	0	0	9
Professionally qualified and experienced specialists and mid-management	6	0	0	9	0	0	1	1	0	0	24
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	2	0	0	5	0	0	0	0	0	0	10
Semi-skilled and discretionary decision making	5	0	0	17	1	0	1	0	0	0	24
Unskilled and defined decision making	1	0	0	3	0	0	0	0	0	0	4
TOTAL PERMANENT	32	0	0	37	0	0	2	5	0	0	75
Non-permanent employees	5	0	0	3	0	0	0	0	0	0	8
GRAND TOTAL	32	0	0	40	1	0	2	5	0	0	83
Persons with disabilities	0	0	0	0	0	0	0	0	0	0	0



“ In September 2010, Roads Agency Limpopo undertook an analysis of its employment practices. From this analysis, a range of barriers were identified.”

## EMPLOYMENT PRACTICES ANALYSIS

In September 2010, Roads Agency Limpopo undertook an analysis of its employment practices. From this analysis, a range of barriers were identified. From October 2010, RAL has implemented a range of measures to counteract the barriers. The table below reflects the current status, indicating the measures that have been implemented to overcome the employment equity barriers identified in the organization.

Categories of Barriers	Measures implemented
Recruitment and selection	RAL has adopted a recruitment and selection policy that conforms to the provisions of employment equity policy. The equity policy addresses employment equity appointments. The policy is currently operational.
Performance management system	A job-profiling project to compile staff job descriptions in the agency was completed and job descriptions were used to create performance charters/agreements.
Job classification and grading	The implementation of a job evaluation system commenced in October 2008. All staff jobs have been evaluated and graded using the Paterson Job Evaluation System. A job evaluation policy and a Grading Committee is currently operational to ensure that grading is equitable and in line with market trends.
Employee benefits	Employees receive a range of benefits including: funeral cover; medical aid and pension fund membership subsidized by the employer; housing allowance; travel/car allowances; annual sick, maternity and family responsibility leave. A policy that governs employee benefits is operational.
Literacy and numeracy	RAL has offered sponsored adult basic education since 2008. Four employees at elementary level have passed Abet level 1-2 in numeracy and literacy and received certificates since enrollment in 2008. An Abet service provider has been appointed to facilitate the program.
Remuneration	The project to implement a remuneration structure, commenced in September 2008 and was finalized in November 2008. RAL moved from the Department of Public Service and Administration's remuneration structure and implemented a remuneration structure that better suits the RAL environment, to ensure that remuneration is in-line with market trends.
Promotions and staff advancement	A policy on promotions was approved in 2008 and is currently operational. Nine staff members from designated groups were promoted to various occupational levels.

## Performance Evaluation

“ RAL employees are committed to ensuring that Limpopo’s roads are safe for both communities and mainstream economy.”

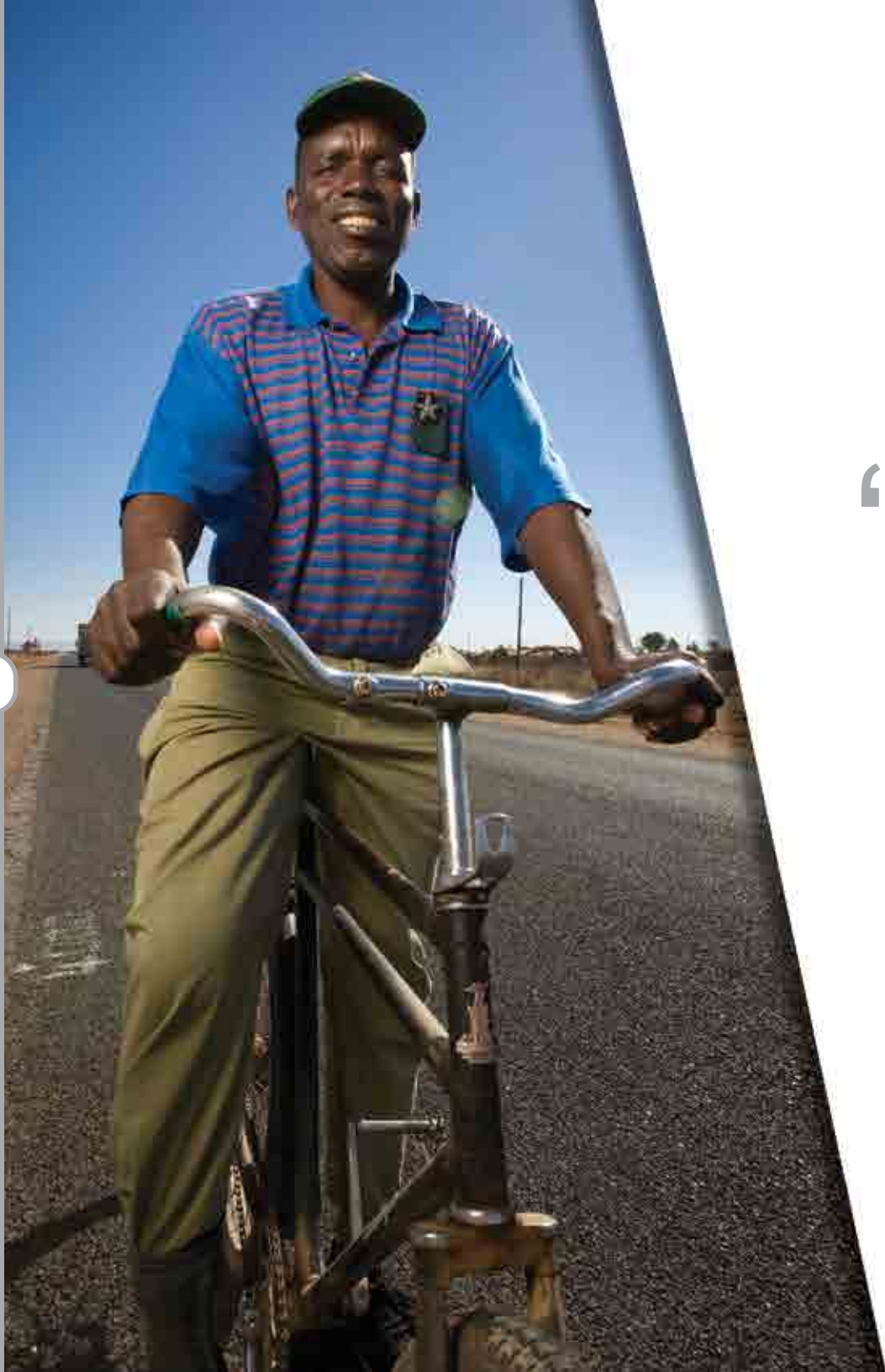




“ The Agency recognises the use of skilled labour for sustainable road infrastructure development for the benefit of our people. ”

**PERFORMANCE REPORT FOR 2012/13**

<b>PROGRAMME 1: ROADS MANAGEMENT</b>				
<b>STRATEGIC OBJECTIVE</b>	<b>PERFORMANCE INDICATOR</b>	<b>ANNUAL TARGET</b>	<b>PERFORMANCE AGAINST TARGET</b>	<b>REASONS FOR VARIANCE</b>
To prepare a list of projects with estimated budgets for 2013/14 financial year	2013/14 project List approved by Board	Approved Project List	2013/14 draft project list approved	None
To update the Database for Engineering Consultants in the 2012/13 period.	2012/13 Civil Engineering Consultants database updated	Updated database	Draft updated database ready for submission to Board of Directors	The approval of the database awaits the finalisation of the revised Supply Chain Policy
To update the Road Management System in 2012/13	Report on 33% of the Limpopo roads network	Traffic Counts on 33% of road network	Final 2012/13 Traffic Counts report Completed	None
	Report on 50% of paved roads inspected	50% of the paved road network inspected	Final 2012/13 report for paved road network completed	None
	Report bridges last inspected in 2006/7	2006/7 Bridges inspected	Final 2012/13 report for bridges inspected completed	None
	Updated road Map for 2012/13	Limpopo road map updated	Updated Maps for 2012/13 issued	None



“ Quality roads means improved livelihood for our people. ”

**PERFORMANCE REPORT FOR 2012/13**

<b>PROGRAMME 1: ROADS MANAGEMENT</b>				
<b>STRATEGIC OBJECTIVE</b>	<b>PERFORMANCE INDICATOR</b>	<b>ANNUAL TARGET</b>	<b>PERFORMANCE AGAINST TARGET</b>	<b>REASONS FOR VARIANCE</b>
To manage active projects in 2012/13 by ensuring compliance with the contract documents with relation to budget, time frames, workmanship, quality, social, health, safety and environmental requirements according to the Protocol of Supervision and SHE Compliance Pack	Minutes of site meetings	97 Minutes	97 sets of minutes for meetings held are available	None
	Quality Assurance Report	97 Quality Assurance reports	97 sets of Quality Assurance reports are available	None
	Payment certificates	97 payment certificates	97 payment certificates have been received	None
	Health and Safety file	14 files	12 Health and Safety files	None
	Environmental reports	97 reports	97 sets of Environmental reports	None
	Social closure reports	12 reports	7 Social closure reports	None
	9 Sets of Completion reports and as-built drawings	8 reports and set of "As build drawings"	4 sets of completion reports	None
To manage active projects in 2012/13 by ensuring compliance with the contract documents with relation to budget, time frames, workmanship, quality, social, health, safety and environmental requirements according to the Protocol of Supervision and SHE Compliance Pack	Number of Km	131.5km (45 to be upgraded and 86 to rehabilitated)	111.2 km (33km upgraded and 77.9 km rehabilitated)	Late payment of contractors due to cash-flow problems up to May 2012 resulted in delays
	Number of Bridges	5 bridges	4 bridges	Completion delayed due to late payments up to May 2012.



“ Ensuring future development in the province. ”

**PERFORMANCE REPORT FOR 2012/13**

<b>PROGRAMME 1: ROADS MANAGEMENT</b>				
<b>STRATEGIC OBJECTIVE</b>	<b>PERFORMANCE INDICATOR</b>	<b>ANNUAL TARGET</b>	<b>PERFORMANCE AGAINST TARGET</b>	<b>REASONS FOR VARIANCE</b>
To manage and process applications for the installation of external services, road signs and bill boards inside and alongside road reserves and applications for roadside development, new accesses and relaxation of the building restrictions	Number of approved applications for 2012/13	100% of all 2012/13 applications approved	100% of applications approved	None
To control the illegal use of road reserves and building restriction areas by external service providers and developers	Number of non-compliance activities reported	100% of Non-compliance activities reported	208 cases of non compliance reported and noices issued	None
To provide administrative support services and assistance to the Regional Road Boards	Reports of Regional Roads Board activities	Records of all Regional Roads Board minutes of meetings	No meetings held for the financial year	Regional Roads Board have not been appointed
To handle the proclamations and de-proclamations of Provincial and Access Roads	100% of proclamation notices processed	100% of proclamation notices processed	No proclamations were received and processed for the financial year	None



“The Agency’s commitment to its vision of connecting communities.”

**PERFORMANCE REPORT 2012/13**

<b>PROGRAMME 1: ROADS MANAGEMENT</b>				
<b>STRATEGIC OBJECTIVE</b>	<b>PERFORMANCE INDICATOR</b>	<b>ANNUAL TARGET</b>	<b>PERFORMANCE AGAINST TARGET</b>	<b>REASONS FOR VARIANCE</b>
To create work opportunities on all 2012/13 projects	Number of Work Opportunities created in 2012/13	2300 Work Opportunities created	1089 work opportunities created	No new projects and slow down of others due to late payments
	Amount paid for Work Opportunities created in 2012/13	R 45.170 million paid for Work Opportunities created	21.1939n million paid for work opportunities	No new projects and slow down of others because of late payments
To promote the development of SMME's on all 2012/13 projects	Number of SMME's appointed in 2012/13	78 SMME's appointed	268 SMMEs appointed	More suppliers were used for smaller amounts
	Amount spent on SMME's in 2012/13	R117.512 million spent on SMME's	R88.098 million paid to SMMEs	Slowdown of some projects due to budget shortage



“ Good roads network  
contributes to creating  
sustainable jobs for our  
people.”

**PERFORMANCE REPORT FOR 2012/13**

<b>PROGRAMME 1: ROADS MANAGEMENT</b>				
<b>STRATEGIC OBJECTIVE</b>	<b>PERFORMANCE INDICATOR</b>	<b>ANNUAL TARGET</b>	<b>PERFORMANCE AGAINST TARGET</b>	<b>REASONS FOR VARIANCE</b>
Stakeholders engagement (Tribal authorities, District & Local municipalities, Communities, Government Departments ) on all planned projects in the 2012/13 period	2012/13 Stakeholder Consultation Reports	100% of all project related stakeholder relations activities processed	Reports for stakeholder relations activities available	No new projects engaged in Quarter 3
Develop SID Implementation Management plan for 2012/13 financial year projects	2012/13 Integrated SID Management plan	Approved Integrated SID Plan	Integrated SID Management Plan in place	None
Update database for Social Consultants in the 2012/13 period	2012/13 Social Consultants Updated database	100% of all applications processed	Invitations for updating of database have been advertised.	None
To manage Social Consultants in the 2012/13 period	2012/13 Progress Reports	4 Progress Reports	4 progress reports	None
To identify the properties affected by road construction in the 2012/13 period	2012/13 Valuation Report on number of properties affected by road construction	100% of all affected properties evaluated	Report of all affected and evaluated properties available	None
To monitor compliance with relevant labour laws and EPWP guidelines in the 2012/13 period	Number of non-compliance & compliance incidents regarding labour laws & EPWP guidelines	100% of all incidents reported and addressed	100% of all incidents reported and addressed	None
Ensure all workers employed for RAL projects are trained in the 2012/13 period	Number of workers employed in 2012/13 projects	100% of workers trained	734 Workers trained	None



“RAL works closely with its stakeholders to make Limpopo a better province to visit.”

**PERFORMANCE REPORT FOR 2012/13**


<b>PROGRAMME 2: FINANCE</b>				
<b>STRATEGIC OBJECTIVE</b>	<b>PERFORMANCE INDICATOR</b>	<b>ANNUAL TARGET</b>	<b>PERFORMANCE AGAINST TARGET</b>	<b>REASONS FOR VARIANCE</b>
To compile/ prepare the 13/14 Annual Budget	Annual Performance Plan reflecting the approved Annual Budget	2013/14 Annual Performance Plan	2013/14 Annual Performance Plan approved	None
To efficiently manage 2012/13 Project Finances	Capital Budget Report	12 Capital budget reports presented at EXCO	12 capital budget reports submitted	None
To compile an Annual Commitment Register for 2012/13	Commitment Register	Updated Commitment register	Updated Commitment register submitted	None
To complete the monthly Infrastructure reporting model.	Infrastructure Reporting Model Report completed	12 Completed Report submitted to Engineering	12 Completed Report submitted to Engineering	None
To safeguard the Agency's monetary and non-monetary (movable and immovable) assets	Moveable Asset Register	2012/13 Moveable Asset Register	2012/13 Moveable asset register updated and submitted	None
	Infrastructure Asset Register	2012/13 Infrastructure Asset Register	2012/13 Updated Infrastructure Asset Register	None
To safeguard the Agency's monetary and non-monetary (movable and immovable) assets	100% of all asset verified in register	Bi-annual Asset Verification Report	Bi-annual Asset verification reports	None
	Number of bank reconciliation reports	12 Bank reconciliation reports	12 Bank reconciliation reports completed	None



“ We always seek to empower women in our communities.”

**PERFORMANCE REPORT FOR 2012/13**

<b>PROGRAMME 2: FINANCE</b>				
<b>STRATEGIC OBJECTIVE</b>	<b>PERFORMANCE INDICATOR</b>	<b>ANNUAL TARGET</b>	<b>PERFORMANCE AGAINST TARGET</b>	<b>REASONS FOR VARIANCE</b>
To effectively manage 2012/13 Corporate Finances	Annual Performance Plan reflecting the approved annual Budget	12 Operational budget report presented at EXCO	12 Budget Reports submitted	None
To effectively manage the 2012/13 remuneration cycle per month	Salary inputs for all RAL employees	12 Remuneration reports	12 Remuneration reports	None
To effectively manage 2012/13 cash flow	Number of cash flow reconciliations	12 Cash Flow Reconciliations	12 Cash Flow Reconciliations	None
To report timeously on 2011/12 finances and performance information	Trial Balance	2011/12 trial balance reconciled & signed off by the CFO	2011/12 trial balance reconciled & signed off by the CFO	None



“ RAL continues to procure goods and services at optimal cost, while giving due regard to the provisions set out in the Public Finance Management Act of 1999.”

**PERFORMANCE REPORT FOR 2012/13**

<b>PROGRAMME 2: FINANCE</b>				
<b>STRATEGIC OBJECTIVE</b>	<b>PERFORMANCE INDICATOR</b>	<b>ANNUAL TARGET</b>	<b>PERFORMANCE AGAINST TARGET</b>	<b>REASONS FOR VARIANCE</b>
To report timeously on 2012/13 finances and performance information	GRAP Financial Statements	2012/13 GRAP Financial Statements approved by Board	2012/13 GRAP Financial statements approved by the Audit and Risk and Board	None
	Treasury Financial Statements	2012/13 Treasury Financial Statements approved by Accounting Officer	2012/13 Treasury Financial Statements approved by Accounting Officer	None
	Annual Performance Plan Report	2012/13 Annual Performance Plan Report completed	2012/13 Annual Performance Plan Report completed	None
	Management Letter	Management Letter with comments & 2012/13 Audit report issued by the Auditor General	Still awaiting Auditor-General's report	None
To report timeously on 2011/12 finances and performance information	Interim Financial Statements	Interim Financial Statements as at 30 September 2012	Interim Financial Statements as at 30 September 2012	None
To identify potential Road services to maximize 2012/13 revenue resources by R2,500,000	Billboard Income Reconciliation	R1 960 000 Billboard Rental	R2399 755 million	More billboard income collected
	Approval Fees Income Report	R540 000 Approval Fees	R892 140 (Thousand)	N/a



“ Ensuring accessibility to Limpopo villages and the entire province.”

**PERFORMANCE REPORT FOR 2012/13**

<b>PROGRAMME 2: FINANCE</b>				
<b>STRATEGIC OBJECTIVE</b>	<b>PERFORMANCE INDICATOR</b>	<b>ANNUAL TARGET</b>	<b>PERFORMANCE AGAINST TARGET</b>	<b>REASONS FOR VARIANCE</b>
To effectively manage supply chain	Requisition register	Updated requisition register	Updated requisition register completed	N/a
	Summary Report	4 Summary Reports	4 Summary Reports submitted	N/a
	Updated Supplier Database	Updated Supplier Database	Updated supplier database	N/a
To effectively manage supply chain	Price List Report	2012/13 Price List Report	2012 Price list report	N/a
	Procurement Plan	2013/14 Procurement Plan approved	Procurement Plan not approved due unfilled vacancies of CFO and CEO	N/a
To effectively & efficiently manage all contracts	Contract Register	Updated Contract Register for 2012/13	Updated Contract Register for 2012/13	N/a



“ Effective road management system, means safe roads for everyone involved.”

**PERFORMANCE REPORT FOR 2012/13**

<b>PROGRAMME 3: SAFETY, HEALTH &amp; ENVIRONMENT (S.H.E)</b>				
<b>STRATEGIC OBJECTIVE</b>	<b>PERFORMANCE INDICATOR</b>	<b>ANNUAL TARGET</b>	<b>PERFORMANCE AGAINST TARGET</b>	<b>REASONS FOR VARIANCE</b>
To implement and monitor health & safety compliance applicable to RAL office environment & projects.	Number of audits conducted by Health& Safety	100% of audits conducted by Health& Safety	60 audits conducted	None
	Number of Accident/ incident investigations reports	100% of all accident/ incident reported	35 accident reported	None, all accidents were investigated
To implement & Monitor Environmental Compliance in the 2012/13 period	Number of Environmental Authorisation issued	100 % of all authorisations to be in place (10 projects)	15 authorisations received	None, all applications authorised
	Number of 2012/13 Environmental compliance cases	100% of all reported non-compliance incidents addressed	105 environmental non-compliance incidents reported	2 projects have been completed
To implement sustainable environmental management programme in the 2012/13 period	Number of kilolitres Water used	Number of kilolitres Water used	326.23095 kilolitres of water used.	2 projects have been completed



“Monitoring Environmental Compliance is at the top of our deliverable list.”

**PERFORMANCE REPORT FOR 2012/13**

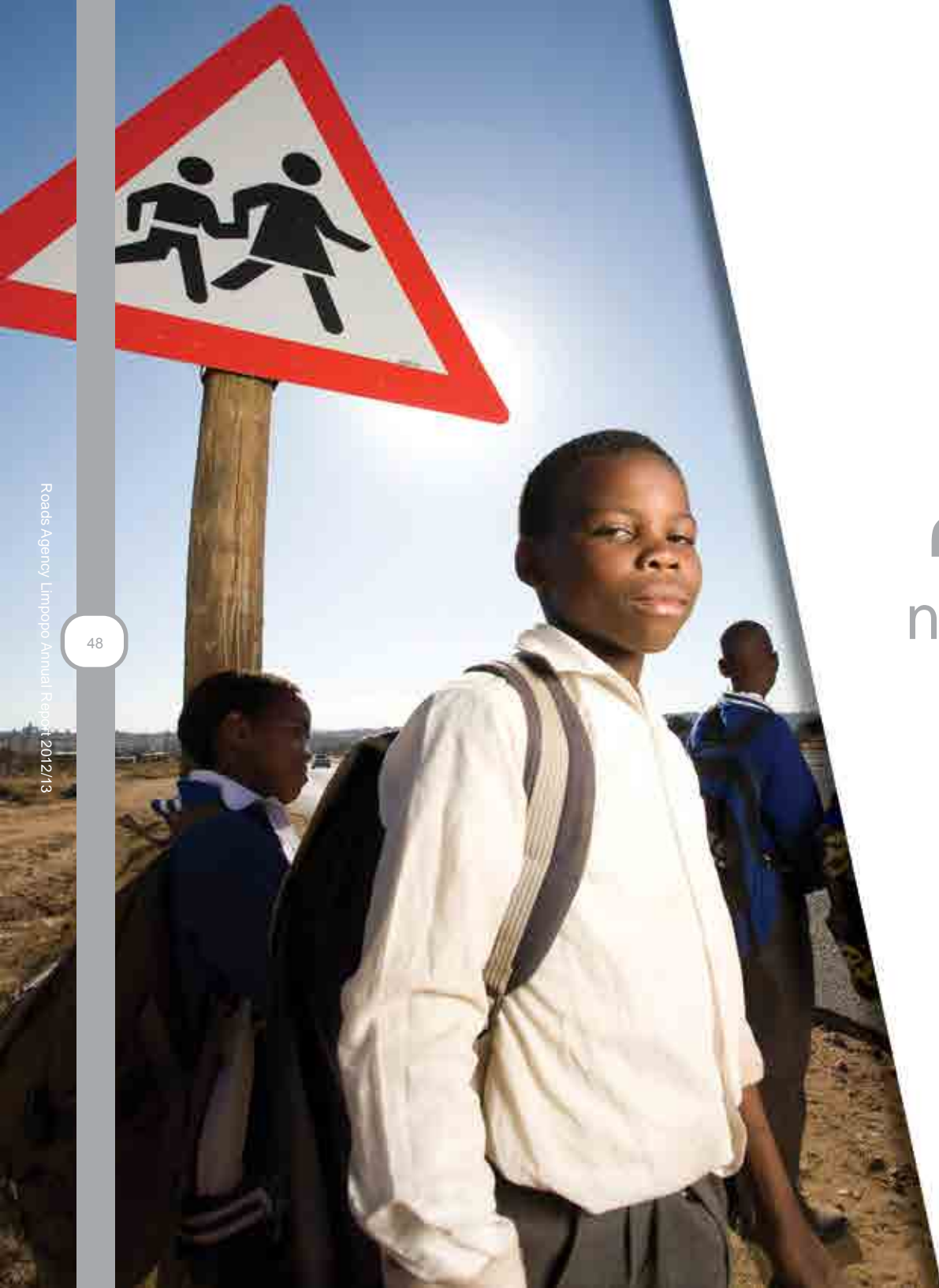
<b>PROGRAMME 3: SAFETY, HEALTH &amp; ENVIRONMENT (S.H.E)</b>				
<b>STRATEGIC OBJECTIVE</b>	<b>PERFORMANCE INDICATOR</b>	<b>ANNUAL TARGET</b>	<b>PERFORMANCE AGAINST TARGET</b>	<b>REASONS FOR VARIANCE</b>
Coordinate and manage appointment of environmental consultants in the 2012/2013 period	Appointment Letters issued and Acceptance letters received Environmental management reports, Payment certificates	100% of all environmental consultants appointed	No new projects in 2012/13 financial year	None



“ We capacitate communities by creating sustainable jobs.”

## PERFORMANCE REPORT FOR 2012/13

PROGRAMME 4: HUMAN RESOURCES MANAGEMENT				
STRATEGIC OBJECTIVE	PERFORMANCE INDICATOR	ANNUAL TARGET	PERFORMANCE AGAINST TARGET	REASONS FOR VARIANCE
To maintain functional organisational structure aligned with RAL strategic objectives	HR monitoring report (number of posts filled and vacancies)	Quarterly Reports	No advertised position has been filled. Only Acting CEO, CFO and Senior Manager: Legal Services appointed in the Acting capacity	Interviews not yet conducted
To implement Training & Development Program	Number of employees trained	54 employees to be trained	2 employees trained	Cost saving measures imposed by Treasury Instruction Note no. 1 of February 2012
To manage internal and external bursaries annually	Monitoring reports for concluded bursary contracts. Approved study loan memorandum	Study loan/bursary awarded to 22 internal students	2 bursaries offered to employees	Cost saving measures imposed by Treasury Instructions Note no. 1 of February 2012
	Quarterly monitoring reports Bursary Committee Minutes	Bursary fees paid to 18 existing external students	Bursary fees paid for 12 existing external bursary students 7 out of the 12 students doing In-Service training at RAL.	5 students failed exam and must repeat at own cost as per RAL bursary contract
To implement and practice good ethical standards on an on-going basis	Disclosure of interest register Records of disclosure file Gift register	Disclosure of Interest Forms for all employees	Done for 20 employees. No updates were received.	None
To ensure compliance with Compensation Occupational Injuries and Diseases Act (COIDA)	Assessment Report	2012/13 assessment report	Return of earnings submitted to the Department of Labour	Return of earnings to be submitted to the Department of Labour in January 2013
To implement Employment Equity in line with legislation	Approved Equity Plan and Report	2012/13 Equity Report	Employment Equity report submitted to the Department of Labour	None Equity plan to be submitted in 2013 / 2014 after expiry of the current 5 year Equity Plan
To effectively manage office maintenance	Monthly Reports	100% of all maintenance work done	All deficiencies requiring maintenance were corrected	None
To ensure effective security service	Monthly Reports	Report on all Security related activities	All Security related deficiencies addressed	None



“Connecting our road networks for business and all South Africans.”

**PERFORMANCE REPORT FOR 2012/13**

<b>PROGRAMME 5: LEGAL SERVICES</b>				
<b>STRATEGIC OBJECTIVE</b>	<b>PERFORMANCE INDICATOR</b>	<b>ANNUAL TARGET</b>	<b>PERFORMANCE AGAINST TARGET</b>	<b>REASONS FOR VARIANCE</b>
To provide business units with legal advice on an on-going basis	Number of written legal advisory opinions provided annually	100% legal advice given to business units	100% of internal requests for legal advice was provided to business units	None
To ensure regulatory compliance across business units on an on-going basis	To ensure compliance with approved due diligence report.	100% of non-compliance cases reported and addressed.	100% of reported cases address. 1 case reported and addressed (Access to information) SAHA	None
To review the approved due diligence report on an annual basis	Monitoring report	Due Diligence monitoring report	1 Due Diligence report	None
To develop, review and vet contracts on an on-going basis	Number of reviewed and approved Contracts	100% of contracts reviewed and approved	4 New contracts reviewed (2 Liquidations and 2 Performance Guarantees) 2 New contracts reviewed (1 Contract and 1 Service Level Agreement)	None
To manage litigation on an on-going basis	Number of litigation cases & status reports	Report of all litigation cases	1 report for all litigation cases	None
To ensure implementation & monitoring of an effective and transparent Promotion and access to Information process i.t.o PAIA on an on-going basis	Register of information requests in line with PAIA manual	100% of all information requests processed	100% of information requests processed in accordance with RAL PAIA Manual	None
To monitor the progress on the application process and registration of the RAL logo with DTI	Monitor progress on application on a quarterly basis	Quarterly Monitoring Reports	Awaiting progress report Department of Trade & Industry. Occasional monitoring is done through telephone.	None



“The Agency made it easy for the residents of Mankele to cross the Lepelle river safely.”

**PERFORMANCE REPORT FOR 2012/13**

<b>PROGRAMME 6: INFORMATION TECHNOLOGY MANAGEMENT</b>				
<b>STRATEGIC OBJECTIVE</b>	<b>PERFORMANCE INDICATOR</b>	<b>ANNUAL TARGET</b>	<b>PERFORMANCE AGAINST TARGET</b>	<b>REASONS FOR VARIANCE</b>
To backup all RAL systems monthly	Backup Plan for all IT Systems	12 Backup reports	12 Backup reports available	None
To maintain all RAL systems monthly	Administrative report for all IT Systems	12 Computing Reports	12 Computing reports available	None
To maintain Tele-communication system monthly	Tele-communication Report	12 Tele-communication Report	12 Tele-Communications reports available	None
To effectively upgrade RAL IT Infrastructure	Upgrading Reports	12 Upgrade Reports	No upgrades were done in the 2012/13 financial year	Limitation of funds
To effectively manage information on a monthly basis	Document Management Report	4 Document management Report	4 Document Management Reports available	None

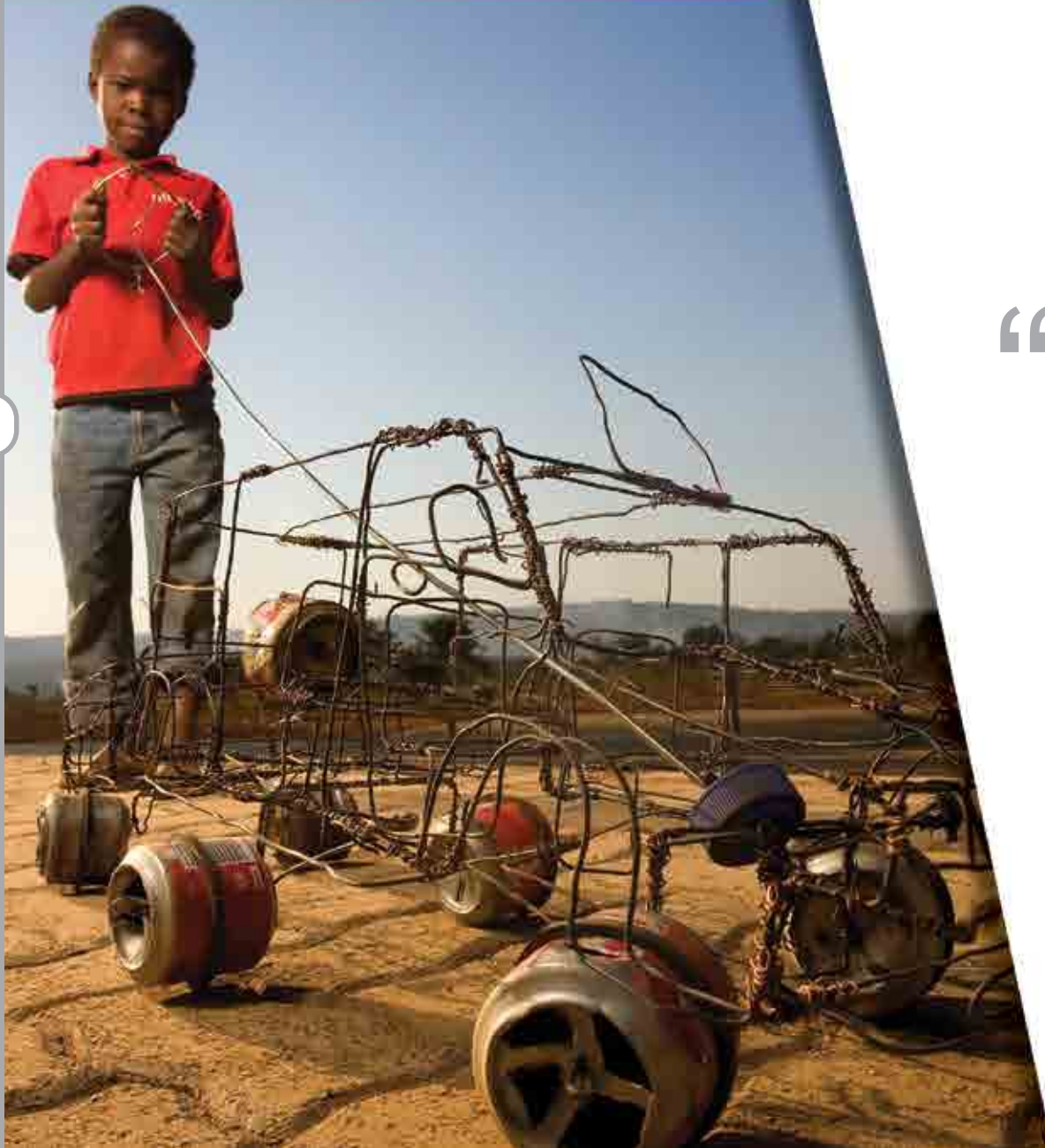


“ We aim to ensure clear lines of communication in the procurement processes, ensuring compliance with the policies.”

**PERFORMANCE REPORT FOR 2012/13**

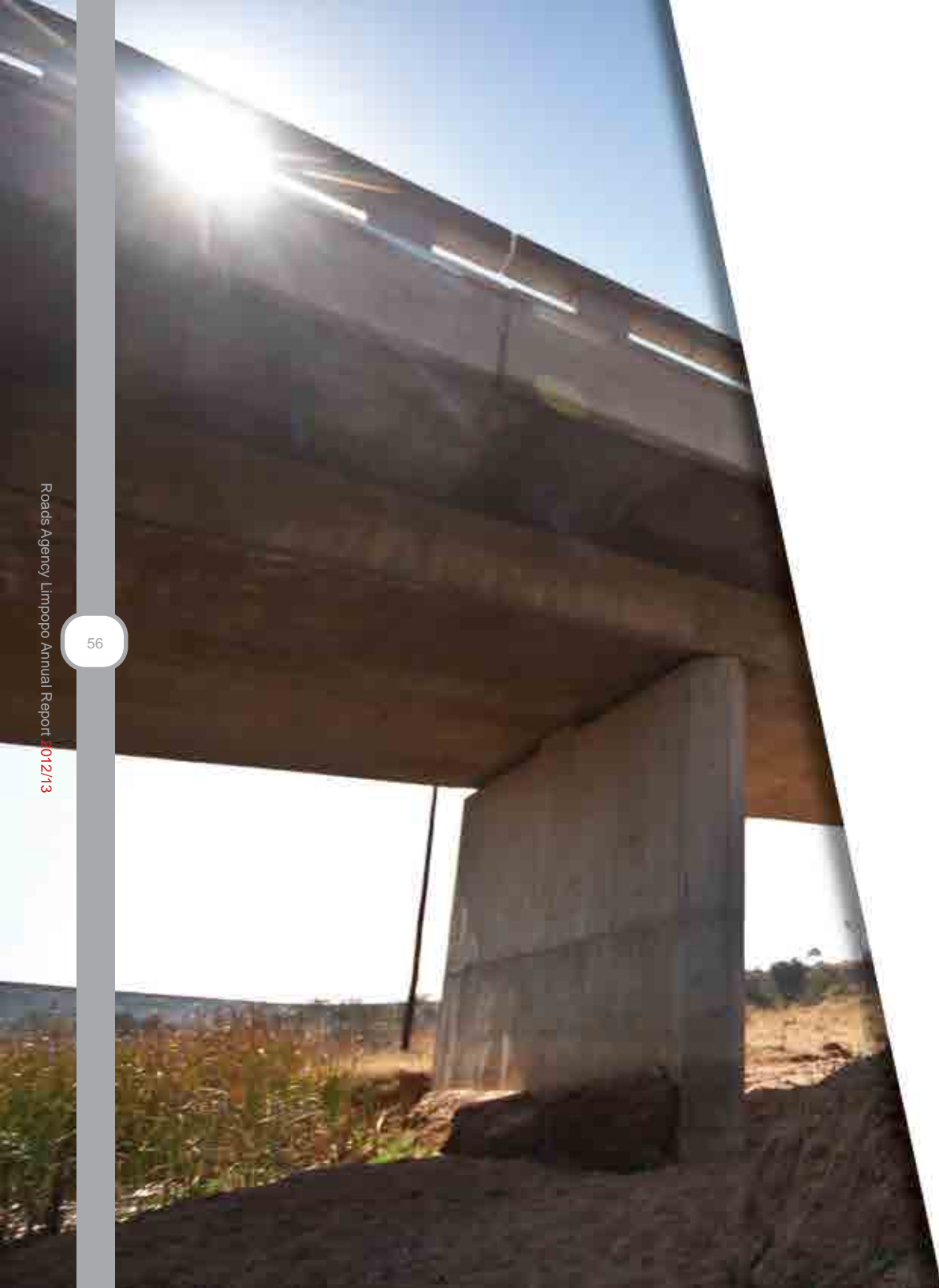
<b>PROGRAMME 7: COMMUNICATIONS, STRATEGY &amp; CHANGE MANAGEMENT</b>				
<b>STRATEGIC OBJECTIVE</b>	<b>PERFORMANCE INDICATOR</b>	<b>ANNUAL TARGET</b>	<b>PERFORMANCE AGAINST TARGET</b>	<b>REASONS FOR VARIANCE</b>
Coordinate and direct the development and consolidation of Organisational Annual Performance Plan	Approved 2012/13 Annual Performance Plan (APP)	Approved 2012/13 Annual Performance Plan	2012/13 Annual Performance Plan was approved	None
Facilitate the development of Change Management Strategy	Change Management Strategy	Approved Strategy	The development of Change Management Strategy has been deferred to the next financial year	Deferred to the next financial year due to cost-saving measures by Treasury Instruction Note 1 of February 2012
To develop and maintain good relations with print and electronic media.	Number of media coverage recorded	Records of all media coverage	All media enquiries have been handled Records of articles are available	None
To produce a monthly internal newsletter	Published Internal Newsletter	10 Editions	7 editions of the newsletter published	The newsletter relies on corporate positive news only. Not sufficient positive news for outstanding months
To produce the 2011/12 Annual Report.	Approved 500 copies of 2011/12 Annual Report	2011/12 Annual Report	500 copies of 2011/12 Annual Report printed and submitted to Legislature and distributed to stakeholders	None
To maintain RAL information Portal.	An up-to-date RAL information portal	Records of all updates on RAL information portal	100% of all updates implemented	None
To revamp the Intranet	Approved Revamped Intranet	Revamped Intranet	Revamping of the intranet put on hold due to financial constraints	Cost-saving measures put by Treasury Instruction Note 1 of February 2012

## Project Outputs



“ We strive to achieve our set goals in accordance with the available budget.”





“ The economy of the province depends on a good road management system.”

## RAL OUTPUTS 2012/13

RAL No	District	Action	Contractor	Planned for project			Progress 1 April 2012			End quarter 4		
				km UPGRADE	km REHAB	bridges	km UPGRADE	km REHAB	bridges	km UPGRADE	km REHAB	bridges
				T341B	Capricorn	Upgrading of road (Gravel to tar)	KPMM	12,50		1	12,50	
T527	Capricorn	Upgrading of road (Gravel to tar)	Lonerock/Realseba JV	18,80								
T530	Mopani	Upgrading of road (Gravel to tar)	MacP	19,00		2	4,20		2	12,40		2
T629	Mopani	Upgrading of road (Gravel to tar)	Quality Plant Hire/Expectra JV	14,50		1						
T533	Sekhukhune	Upgrading of road (Gravel to tar)	Senyali	17,40		1	17,40			17,40		
T539	Sekhukhune	Upgrading of road (Gravel to tar)	Senyali	10,00								
T624	Sekhukhune	Construction of a bridge	UMSO	12,00		1	12,00		1	12,00		1
T625	Sekhukhune	Construction of a bridge	Civilcon Pele Kaufela JV			2						2
T628	Sekhukhune	Upgrading of road (Gravel to tar)	Esorfranki Civils/Balekane JV	22,00		1			1	5,30		1
T631A	Sekhukhune	Construction of a bridge	Maphuthe Building Construction	10,00		1						0
T524	Vhembe	Upgrading of road (Gravel to tar)	Space Construction	7,80		1			1	7,80		1
T543	Vhembe	Upgrading of road (Gravel to tar)	Stefanutli Stocks/Matshope JV	11,70		1	7,90			11,70		1
T392	Waterberg	Upgrading of road (Gravel to tar)	Liviero	53,10								
T546B	Waterberg	Upgrading of road (Gravel to tar)	KPMM	14,40		1	14,40		1	14,40		1
T571C	Waterberg	Upgrading of road (Gravel to tar)	Edwin Construction		48,00			8,00			48,00	
T571D	Waterberg	Upgrading of road (Gravel to tar)	Edwin Construction		85,00			6,00			44,00	
T627	Waterberg	Upgrading of road (Gravel to tar)	Selby Construction	16,50		1						0
T632	Waterberg	Upgrading of road (Gravel to tar)	Seokodiberg Axton Matrix JV	9,30						8,60		
T633	Waterberg	Upgrading of road (Gravel to tar)	Stefanutli Stocks/Matshope JV	11,80		1	11,80		1	11,80		1

## RAL OUTPUTS 2012/13 continues...

Output (km or No. of)											
QUARTER 1			QUARTER 2			QUARTER 3			QUARTER 4		
km UPGRADE	km REHAB	bridges	km UPGRADE	km REHAB	bridges	km UPGRADE	km REHAB	bridges	km UPGRADE	km REHAB	bridges
0,00	0,00	0,00	0,00	0,00	0	0,00	0,00	0	0,00	0,00	0
0,00	0,00	0,00	0,00	0,00	0	0,00	0,00	0	0,00	0,00	0
8,20	0,00	0,00	0,00	0,00	0	0,00	0,00	0	0,00	0,00	0
0,00	0,00	0,00	0,00	0,00	0	0,00	0,00	0	0,00	0,00	0
0,00	0,00	0,00	0,00	0,00	0	0,00	0,00	0	0,00	0,00	0
0,00	0,00	0,00	0,00	0,00	0	0,00	0,00	0	0,00	0,00	0
0,00	0,00	0,00	0,00	0,00	0	0,00	0,00	0	0,00	0,00	0
0,00	0,00	1,00	0,00	0,00	1	0,00	0,00	0	0,00	0,00	0
0,00	0,00	0,00	0,00	0,00	0	0,00	0,00	0	5,30	0,00	0
0,00	0,00	0,00	0,00	0,00	0	0,00	0,00	0	0,00	0,00	0
7,80	0,00	0,00	0,00	0,00	0	0,00	0,00	0	0,00	0,00	0
3,80	0,00	1,00	0,00	0,00	0	0,00	0,00	0	0,00	0,00	0
0,00	0,00	0,00	0,00	0,00	0	0,00	0,00	0	0,00	0,00	0
0,00	0,00	0,00	0,00	0,00	0	0,00	0,00	0	0,00	0,00	0
0,00	4,00	0,00	0,00	16,65	0	0,00	19,35	0	0,00	0,00	0
0,00	6,50	0,00	0,00	10,20	0	0,00	21,30	0	0,00	0,00	0
0,00	0,00	0,00	0,00	0,00	0	0,00	0,00	0	0,00	0,00	0
0,00	0,00	0,00	6,05	0,00	0	2,55	0,00	0	0,00	0,00	0
0,00	0,00	0,00	0,00	0,00	0	0,00	0,00	0	0,00	0,00	0

## RAL OUTPUTS 2012/13 continues...

Capricorn	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Mopani	8,20	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Sekhukhune	0,00	0,00	1,00	0,00	0,00	1,00	0,00	0,00	0,00	5,30	0,00	0,00
Vhembe	11,60	0,00	1,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Waterberg	0,00	10,50	0,00	6,05	26,85	0,00	2,55	40,65	0,00	0,00	0,00	0,00
	19,80	10,50	2,00	6,05	26,85	1,00	2,55	40,65	0,00	5,30	0,00	0,00
<b>Q1 TOTAL:</b>	<b>19.80 km upgraded</b>			<b>10.50 km rehabilitated</b>			<b>2 bridges</b>					
<b>Q2 TOTAL:</b>	<b>6.05 km upgraded</b>			<b>26.85 km rehabilitated</b>			<b>1 bridges</b>					
<b>Q3 TOTAL:</b>	<b>2.55 km upgraded</b>			<b>40.65 km rehabilitated</b>			<b>0 bridges</b>					
<b>Q4 TOTAL:</b>	<b>5.30 km upgraded</b>			<b>0.00 km rehabilitated</b>			<b>0 bridges</b>					
<b>TOTAL 2012/2013:</b>	<b>33.70 km upgraded</b>			<b>78.00 km rehabilitated</b>			<b>3 bridges</b>					

## **Audit and Risk Committee Report**

---

The Audit and Risk Committee presents its report for the year ended 31 March 2013. The Audit and Risk Committee of RAL is constituted as per the requirements of the Companies Act, 2008 (Act No.71 of 2008) as amended. These responsibilities are incorporated in the Audit and Risk Committee Terms of Reference which is revised and approved annually by the Board of Directors. The Audit and Risk Committee is satisfied that it has complied with the legal, regulatory and other responsibilities.

Due to the late submission by Auditor General of the audited Annual Financial Statements, the Audit Committee could only review the adequacy, reliability and accuracy of the financial information provided to management and other users, as required by Treasury Regulation 27.1.8(d) on 22 October 2013 instead of before 31 July 2012.

### **Audit and Risk Committee Members**

The Board resolved to collapse all Board Sub-Committees and all agenda items for the Audit and Risk Committee were discussed and deliberated on at the Board.

### **Internal Audit**

The Audit and Risk Committee is responsible for ensuring that RAL's internal audit function is independent and has the necessary resources and authority to discharge its responsibilities.

In the year under review there was no Internal Audit function but this was outsourced in April 2013.

All critical and significant findings resulting from audits for 2012/13 will be reported to the Audit and Risk Committee.

The committee ensures a combined assurance model is applied to provide a coordinated approach to all assurance activities and that significant risks facing the company are adequately addressed. An audit action plan has been implemented to track all internal and external audit findings and implementation of mitigation of weaknesses thereof. This process will improve the internal control environment by ensuring management address critical and significant audit findings and avoid possible repeat findings.

A quality assurance program has been approved by the Audit and Risk Committee and an external quality assurance review will be undertaken in the 2012/13 financial year to ensure Internal Audit conforms to the standards as set by the IIA.

### **Internal Financial Controls**

The Audit and Risk Committee has reviewed the process by which internal audit performs the assessment of the adequacy and effectiveness of the company's system of internal control including the internal financial controls.

The committee is continuously assessing the effectiveness of the internal control environment to ensure all critical and significant findings are addressed and corrected by management.

We will be commissioning a risk assessment of the organisation as a whole and will be redesigning our controls to mitigate against all the risks identified.

All current policies will also be reviewed to strengthen the internal financial controls.

### **Governance of Risk**

Effective risk management is fundamental to the Audit and Risk Committee of RAL.

The committee fulfils an oversight role regarding the financial risks, internal financial controls, fraud risk as it relates to financial reporting, and information technology risks. The Management Risk Committee, which is fulfilled by Exco, assists the Audit and Risk Committee to fulfil their oversight role with regard to the governance of risk.

Much still needs to be done by management to ensure risk management is an integral part of RAL's strategic and business processes. The Board, through the Audit and Risk Committee has considered the Risk Policy and plan for the period under review. The Risk Register has been monitored on a quarterly basis to ensure adequate and effective management of risks.

### **Compliance with legislation**

The Audit and Risk Committee reviews and ensures that compliance forms an integral part of the Company's risk management process. The level of compliance with relevant legislation is reported to the Audit and Risk Committee on a quarterly basis with Public Finance Management Act, (Act 1 of 1999), as amended (PFMA) being the most important piece of legislation. An assessment of the Companies Act and King III Report is underway. Based on previously reported audit findings on noncompliance, specifically with the PFMA, the Audit and Risk Committee is of the opinion that much still needs to be done by management to comply with the PFMA and the companies act. Any areas of identified non-compliance are currently being addressed by management.

### **Evaluation of Financial Statements**

The Audit and Risk Committee has:

- Reviewed and discussed with the Auditor-General and the Board the audited annual financial statements to be included in the annual report;
- Reviewed the Auditor-General's management report and management response thereto;
- Reviewed changes in accounting policies and practices, and
- Reviewed significant adjustments resulting from the audit.

The Audit and Risk Committee concurs with 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.

### **External Audit**

The Audit and Risk Committee is satisfied with the work performed by the Auditor-General. The auditors have remained independent throughout the financial year. The committee, in consultation with executive management, agreed to the engagement letter, terms, Audit Plan and budget fees for the year ended 31 March 2013. The inability of the Auditor General to complete its audit within the prescribed period i.e by 31 July 2013; delayed the submission of the 2012/13 Annual Report by three (3) months to Legislature.

### **Irregular, Fruitless and Wasteful expenditure**

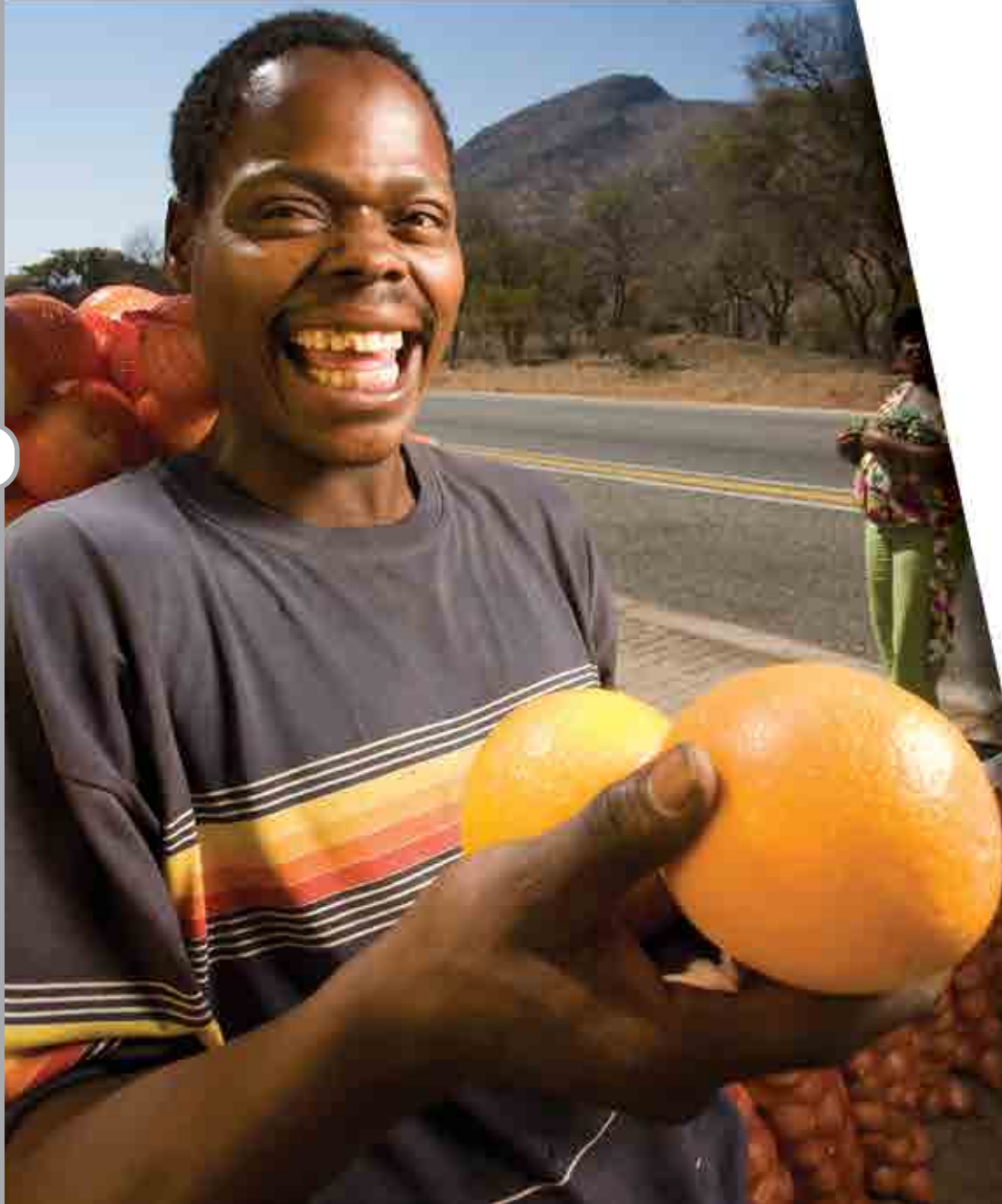
The Audit and Risk Committee reviews the completeness, accuracy and validity of irregular, fruitless and wasteful expenditure on an on-going basis. The committee is currently not satisfied with measures in place by management to prevent and detect irregular and fruitless and wasteful expenditure. Such expenditure once detected, is tracked and reported to the Audit and Risk Committee and subsequently to the Accounting Authority. Management has not ensured that corrective action, as required by the PFMA, is instituted to prevent the expenditure from recurring. Measures are currently being put into place to prevent and detect irregular and fruitless and wasteful expenditure and that corrective action, as required by the PFMA, is instituted to prevent the expenditure from recurring.

### **Going concern**

The Audit and Risk Committee has evaluated the Financial Statements of Roads Agency Limpopo SOC Limited for the year ended 31 March 2013 and based on the information provided to the Audit and Risk Committee, considers that they comply, in all material respects, with the requirements of the Companies Act No. 71 of 2008, and the Public Finance Management Act, 1 of 1999, as amended, and International Financial Reporting Standards.

The Audit and Risk Committee concurs with the Board of Directors and management that the adoption of the going concern premise in the preparation of the financial statements is appropriate.

## Annual Financial statements



“Quality roads means improved economic growth.”





“Building quality road infrastructure ensures safer travelling.”



## Index

The reports and statements set out below comprise the Financial Statements presented to the Provincial Legislature:

Directors' Responsibilities and Approval .....	67
Report of the Auditor General .....	68-73
Directors' Report .....	74-77
Statement of Financial Position .....	78
Statement of Financial Performance .....	79
Statement of Changes in Net Assets .....	80
Cash Flow Statement .....	91
Statement of Comparison of Budget and Actual Amounts .....	82-83
Accounting Policies .....	84-95
Notes to the Financial Statements .....	96-110



## Directors' Responsibilities and Approval

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

---

The directors are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the 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 financial statements and were given unrestricted access to all financial records and related data.

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

The directors acknowledge that they are 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 directors to meet these responsibilities, the board 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 directors are 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The directors have reviewed the entity's cash flow forecast for the year to 31 March 2014 and, in light of this review and the current financial position, they are satisfied that the entity has or had access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the entity is a going concern.

The Auditor General is responsible for independently reviewing and reporting on the entity's financial statements. The financial statements have been examined by the Auditor General and their report is presented from page 68.

The financial statements set out on pages 92 to 106, which have been prepared on a going concern basis, were approved by the board on 31 May 2012 and were signed on its behalf by:



Mr MM Mokonyama (Accounting Authority)  
On behalf of the Board of RAL  
In terms of Section 100 (1)(b) of the constitution  
of the Republic of South Africa, Act No. 108 of 1996.



Acting Chief Executive Officer

## Report of the Auditor General

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

### REPORT OF THE AUDITOR-GENERAL TO LIMPOPO PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF ROADS AGENCY LIMPOPO SOC LTD

#### REPORT ON THE FINANCIAL STATEMENTS

##### Introduction

1. I was engaged to audit the financial statements of the Roads Agency Limpopo SOC Ltd set out on pages 78 to 110, which comprise the statement of financial position as at 31 March 2013, the statements of financial performance, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

##### The accounting authority's responsibility for the financial statements

2. The board of directors which constitutes the accounting authority 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 of South Africa, 1999 (Act no 1 of 1999) (PFMA) and Companies Act of South Africa, 2008 (Act No.71 of 2008) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

##### Basis for disclaimer of opinion

##### Property, plant and equipment (PPE)

4. The entity had not submitted documentation supporting its transfers between roads and bridges and PPE under construction as disclosed in note 3 to the financial statements to the amount of R492 256 000. The accounting records of the entity did not permit the application of alternative audit procedures. As a result, I am unable to confirm the classification of items of PPE to the amount of R33 226 503 000 as disclosed in note 3 to the financial statements.
5. My comparison of the roads and bridges included in the accounting records to the report which was compiled by an expert contracted by the entity, revealed numerous discrepancies. The entity was unable to provide me with a reconciliation and supporting documentation for the discrepancies identified and the accounting records of the entity did not permit the application of alternative audit procedures. Consequently, I was unable to determine whether any adjustment to PPE amounting to R33 226 503 000 (2012: R31 482 556) as disclosed in note 3 to the financial statements was necessary.
6. I identified capital expenditure transactions to the amount of R27 184 499 relating to the 2011-2012 financial year that were incorrectly recorded in the current financial year. Consequently, additions to items of PPE and the opening balance of retained earnings are overstated by R27 184 499.
7. The entity did not review the residual values and useful lives of items of PPE at each reporting date in accordance with SA Standards of GRAP 17 – *Property, plant and equipment*. The entity's records did not permit the application of alternative audit procedures. Consequently, the impact on the net carrying value and depreciation of *property, plant and equipment* and the corresponding effect on accumulated surplus in terms of SA Standards of GRAP 3 – *Accounting policies, changes in accounting estimates and errors* as disclosed in the statement of financial position could not be determined.

## Report of the Auditor General

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013



### Expenditure

8. I was unable to obtain sufficient appropriate audit evidence for the journals recorded amounting to R46 924 601. I was unable to confirm the journals by alternative means. Consequently I was unable to determine whether any adjustment to expenditure stated at R46 045 000 in the financial statements, was necessary.
9. I have identified expenditure transactions to the amount of R797 006 relating to the 2011-2012 financial year that were incorrectly recorded in the current financial period. Consequently, expenditure and the opening balance of retained earnings are overstated by R797 006.

### Irregular expenditure

10. I have identified irregular expenditure to the amount of R889 436 which was not disclosed in note 30 to the financial statements.

### Fruitless and wasteful expenditure

11. No system was in place for the identification and recognition of fruitless and wasteful expenditure. I could not perform satisfactory alternative audit procedures to obtain reasonable assurance that all fruitless and wasteful expenditure was properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of fruitless and wasteful expenditure disclosed in note 29 to the financial statements.

### Disclaimer of opinion

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

### Emphasis of matter

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

### Restatement of corresponding figures

13. As disclosed in note 27 to the financial statements, the corresponding figures for 31 March 2012 have been restated as a result of an error discovered during 2013 in the financial statements of the entity at, and for the year ended, 31 March 2012.

### Significant uncertainties

14. With reference to note 24 to the financial statements, the entity is the defendant in various lawsuits and pending legal cases from contractors. The ultimate outcome of the matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

### Additional matters

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

## Report of the Auditor General

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

### Other reports required by the Companies Act

16. As part of my audit of the financial statements for the year ended 31 March 2013, I have read the Directors' Report and the Audit Committee's Report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements in respect of which I have expressed a disclaimer of opinion. I have not audited the reports and accordingly do not express an opinion on them.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

17. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

#### Predetermined objectives

18. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 22 to 53 of the annual report.

19. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by *the National Treasury Framework for managing programme performance information (FMPP)*.

20. The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

21. The material findings are as follows:

#### Usefulness of information

#### Consistency

22. Treasury Regulation 30.1.3(g) (TR) requires that the annual performance report should form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 25% of the reported indicators are not consistent with the indicators as per the approved annual performance plan. This was due to a decision taken by executive management that the changes made were not material and thus the executive authority was not informed of the changes.

23. TR 30.1.1 requires that the annual performance plan must be approved by the executive authority. Therefore, if the annual performance plan is changed in-year due to significant policy or mandate changes, the updated plan has to be approved by the executive authority. All the indicators and targets reported in the annual performance report that were changed in-year were changed without approval by the executive authority. This was due to a decision taken by executive management that the changes made were not material and thus the executive authority was not informed of the changes.

## Report of the Auditor General

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013



### Measurability

24. The National Treasury *FMPPI* requires that performance targets and indicators be measurable. The required performance could not be measured for significantly important targets and indicators in relation to basic service delivery. This was due to the fact that management was aware of the requirements of the *FMPPI* but did not receive the necessary training to enable application of the principles.

### Reliability of information

25. The National Treasury *FMPPI* requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information as a whole of effective road management are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the targets relevant to the selected objective. This was due to the lack of frequent review of validity of reported achievements against source documentation.

### Achievement of planned targets

26. Of the total number of 84 targets planned for the year, 21 of targets were not achieved during the year under review. This represents 25% of total planned targets that were not achieved during the year under review. This was as a result of the institution not considering relevant systems and evidential requirements during the annual strategic planning process.

### Compliance with laws and regulations

27. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

### Annual financial statements, performance and annual reports

28. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 55(1) (a) and (b) of the PFMA and section 29(1)(a) of the Companies Act. Material misstatements identified by the auditors in the submitted financial statements were corrected but not all supporting records could be provided, which resulted in the financial statements receiving a disclaimer audit opinion.

29. The annual return of the entity for the year 2013 was not filed within the 30 day prescribed period, as required by section 33 of the Companies Act and Companies Regulation 30(1).

30. The entity has not appointed a company secretary as required by Section 86(1) of the Companies Act.

31. The accounting authority did not ensure that the public entity had and maintained effective, efficient and transparent systems of financial and risk management and internal control as required by section 51(1)(a)(i) of the PFMA.

### Asset management

32. The accounting records for non-current assets was not complete, as required by section 28(1) of the Companies Act and prescribed in the Companies Regulation 25(3)(a)(i).

33. Proper control systems to safeguard and maintain assets were not implemented, as required by sections 50(1)(a) and 51(1)(c) of the PFMA.

## Report of the Auditor General

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

### Audit committees

34. The audit committee did not review the effectiveness of the internal audit function as required by TR 27.1.8 (b).
35. The chairperson of the audit committee fulfilled an executive function in the public entity, in contravention of TR 27.1.3.
36. The majority of audit committee members were executive members appointed by the accounting authority, in contravention of TR 27.1.4.
37. Members of the audit committee were involved in the day-to-day management of the entity in contravention of section 94(4)(b) of the Companies Act.
38. Members of the audit committee were previously full-time employees of the company in contravention of section 94(4)(b) of the Companies Act.

### Budgets

39. The accounting authority did not submit quarterly reports on actual and projected revenue and expenditure to the accounting officer of the entity, as required by TR 26.1.1.

### Expenditure

40. The accounting records for expenditure was not complete and accurate, as required by section 28(1) of the Companies Act and prescribed in the Companies Regulations 25(3)(c).
41. The accounting authority did not ensure that effective and appropriate disciplinary steps were taken against any employee of the public entity who made or permitted an irregular expenditure or a fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA.
42. The accounting authority did not take effective steps to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

### Internal audit

43. The accounting authority did not ensure that the internal audit function was established, as required by section 51(1)(a)(ii) of the PFMA and TR 27.2.2 and 27.2.3.

### Procurement and contract management

44. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with TR 16A8.3.
45. Contracts and quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by TR 16A9.1(d) and the Preferential Procurement Regulations.
46. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by TR 16A6.1.
47. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)(PPPFA) and TR 16A6.3(b).

## Report of the Auditor General

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013



### Revenue management

48. The entity generated taxable supplies in excess of R1 million, but has not registered for VAT, as required by the Value Added Tax act.

### Internal control

49. I considered internal control relevant to my audit of the financial statements, the performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

### Leadership

50. Management does not always provide the required supervision and review over the operations of the entity to ensure that it complies with all laws and regulations and appoint the necessary skilled staff members.

### Financial and performance management

51. A lack of adequate technical knowledge within management, a high level of reliance on consultants with regard to the preparation of financial statements and a lack of adherence to laws and regulations resulted in the disclaimer of opinion on the financial statements.

52. There is no monitoring of, and controls within the performance management process to ensure performance against predetermined objectives are useful and reliable

### Governance

53. The lack of an internal audit unit during the financial period prevented the audit committee from promoting accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations

## OTHER REPORTS

### INVESTIGATIONS

54. Investigators were appointed by the National Government due to the section 100(1)(b) of the Constitution of the Republic of South Africa, 1996, to probe into the awarding of procurement and construction contracts. The investigation was still ongoing at the reporting date.

*Auditor-General*

Polokwane  
22 October 2013

## Directors' Report

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

---

The directors submit their report for the year ended 31 March 2013.

### 1. Review of activities

#### Main business and operations

The entity is established in terms of the Northern Province Roads Agency Limited and Provincial Roads Act, 1998 (Act no. 7 of 1998 as amended) and the Companies Act no. 71 of 2008.

The entity is engaged in administration of roads infrastructure within the Limpopo Province. The entity is responsible for the upgrading and maintenance of the Provincial road network.

The entity operates as a Provincial Public Entity as listed in schedule 3C of the Public Finance Management Act, Act no.1 of 1999 (as amended by Act no. 29 of 1999).

The operating results and state of affairs of the entity are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net deficit of the entity was R 1,253,729 (2012: deficit R 1,792,012).

### 2. Going concern

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

### 3. Directors' interest in contracts

No material contracts in which the directors have an interest, were entered into the current year other than the transactions detailed in note 19 to the financial statements as well as section 7 of the directors' report.

### 4. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the entity during the year under review.

## Directors' Report

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

---

### 5. Directors

The directors of the entity during the year and to the date of this report are as follows:

MP Tshisevhe	Chairperson	
JR Bilankulu	Non executive	Appointed 1 March 2013
MM Maponya	Non-executive	
MMM Thindisa	Non-executive	Resigned 7 November 2012
TM Makofane	Non-executive	
R Naidoo	Non-executive	Resigned 6 July 2012
PR Masehela	Non executive	
MA Mogotlane	Chief Executive Officer	Resigned 30 April 2012
CC Nothnagel	Acting CEO	Resigned 31 December 2012
		Appointed 14 May 2012
TL Mazibuko	Non executive	Appointed 17 February 2013
XC Manyungwana	Non executive	Appointed 1 March 2013

### 6. Secretary

The entity had no secretary during the year.

## Directors' Report

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

### 7. Directors and executive directors emoluments

Figures in Rand thousand

	Salary or Fee	Bonuses and performance related payments	Acting allowance	Leave payout	Subsistence and travel	Travel and housing	Medical and Pension contributions	Total package 2013	Total package 2012
<b>Non-Executive Directors</b>									
MM Maponya	440	-	-	-	18	27	-	485	307
MP Tshisevhe	385	-	-	-	11	13	-	409	301
HS Shipalana	-	-	-	-	-	-	-	-	301
TM Makofane	188	-	-	-	2	11	-	201	168
TL Mazibuko	24	-	-	-	-	-	-	24	-
	<b>1,037</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82</b>	<b>82</b>	<b>-</b>	<b>1,119</b>	<b>1,077</b>
<b>Executive Directors</b>									
MA Mogotlane (CEO)	123	51	-	107	-	20	1	302	1,788
MM Maponya (Acting CEO)	319	-	-	-	-	-	-	319	-
C Manyungwana (Acting CEO)	159	-	-	-	-	-	-	159	-
	<b>601</b>	<b>51</b>	<b>-</b>	<b>107</b>	<b>20</b>	<b>20</b>	<b>1</b>	<b>780</b>	<b>1,788</b>
<b>Executive Managers</b>									
TF Madale (General manager corporate services)	918	69	-	-	-	481	12	1,480	1,452
L Sefolo (CIO)	606	46	-	-	-	229	96	977	893
KR Rikhotso	656	49	-	-	-	249	103	1,057	967
JH Groenewald	656	49	-	-	-	261	90	1,056	967
CC Notnagel	1,019	70	203	-	-	160	-	1,452	1,118

## Directors' Report

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

	Salary or Fee	Bonuses and performance related payments	Acting allowance	Leave payout	Subsistence and travel	Travel and housing	Medical and Pension contributions	Total package 2013	Total package 2012
RC Ramodike	792	56	-	-	-	12	111	971	893
MT Shivambu	606	46	-	-	-	229	96	977	-
M Venter ( Acting CFO)	-	-	152	-	-	-	-	152	-
M Motsepe ( Acting CFO)	132	-	-	-	-	-	-	132	-
	<b>5,385</b>	<b>385</b>	<b>355</b>	<b>-</b>	<b>1,621</b>	<b>1,621</b>	<b>508</b>	<b>8,254</b>	<b>6290</b>
	<b>7,023</b>	<b>436</b>	<b>355</b>	<b>107</b>	<b>3,446</b>	<b>3,446</b>	<b>509</b>	<b>11,876</b>	<b>9,155</b>

### 8. Auditors

The Auditor General will continue in office for the next financial period.

### Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

## Statement of Financial Position as at 31 March 2013

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

Figures in Rand thousand	Note(s)	2013	2012
<b>Assets</b>			
<b>Current Assets</b>			
Consumables	6	371	590
Loans to employees	7	123	273
Receivables from exchange transactions	8	1,867	418
Cash and cash equivalents	9	320,728	6,933
		<b>323,089</b>	<b>8,214</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	31,463,978	33,226,503
Intangible assets	4	94	174
Other financial assets	5	2,270	2,110
		<b>31,466,342</b>	<b>33,228,787</b>
<b>Total Assets</b>		<b>31,789,431</b>	<b>33,237,001</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	11	32,490	930
Payables from exchange transactions	13	35,710	263,196
Provisions	12	4,125	2,042
		72,325	266,168
<b>Total Liabilities</b>		<b>72,325</b>	<b>266,168</b>
<b>Net Assets</b>		<b>31,717,106</b>	<b>32,970,833</b>
Accumulated surplus		<b>31,717,106</b>	<b>32,970,833</b>

## Statement of Financial Performance

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

Figures in Rand thousand	Note(s)	2013	2012
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Other income		7,654	4,052
Gains on disposal of assets		-	2
<b>Total revenue from exchange transactions</b>		<b>7,654</b>	<b>4,054</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants and subsidies		1,235,812	845,445
<b>Total revenue</b>	15	<b>1,243,466</b>	<b>849,499</b>
<b>Expenditure</b>			
Personnel	19	(44,653)	(47,651)
Depreciation and amortisation		(2,379,489)	(2,527,562)
Finance costs	20	(15,492)	(2,194)
Debt written off		(52)	-
Repairs and maintenance		(47)	(111)
Loss on disposal of assets		(11,417)	-
General Expenses	18	(46,045)	(63,993)
<b>Total expenditure</b>		<b>(2,497,195)</b>	<b>(2,641,511)</b>
<b>Operating deficit</b>		<b>(1,253,729)</b>	<b>(1,792,012)</b>
<b>Deficit for the year</b>		<b>(1,253,729)</b>	<b>(1,792,012)</b>
<b>Attributable to:</b>			
Owners of the controlling entity		<b>(1,253,729)</b>	<b>(1,792,012)</b>

## Statement of Changes in Net Assets

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

Figures in Rand thousand	Accumulated surplus	Total net assets
Opening balance as previously reported	34,763,225	34,763,225
Adjustments		
Correction of errors	(380)	(380)
<b>Balance at 01 April 2011 as restated</b>	<b>34,762,845</b>	<b>34,762,845</b>
Changes in net assets		
Deficit for the year	(1,792,012)	(1,792,012)
<b>Total changes</b>	<b>(1,792,012)</b>	<b>(1,792,012)</b>
Opening balance as previously reported	32,971,967	32,971,967
Adjustments		
Correction of errors	(1,132)	(1,132)
<b>Balance at 01 April 2012 as restated</b>	<b>32,970,835</b>	<b>32,970,835</b>
Changes in net assets		
Deficit for the year	(1,253,729)	(1,253,729)
<b>Total changes</b>	<b>(1,253,729)</b>	<b>(1,253,729)</b>
<b>Balance at 31 March 2013</b>	<b>31,717,106</b>	<b>31,717,106</b>

## Cash Flow Statement

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

Figures in Rand thousand	Note(s)	2013	2012
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		1,235,812	845,445
Interest income		4,301	1,320
Other receipts		1,945	3,545
		<b>1,242,058</b>	<b>850,310</b>
<b>Payments</b>			
Employee costs		(44,653)	(47,651)
Suppliers		(271,368)	170,013
Finance costs		(15,492)	(2,194)
		<b>(331,513)</b>	<b>120,168</b>
<b>Net cash flows from operating activities</b>	22	<b>910,545</b>	<b>970,478</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3&22	(628,355)	(1,007,487)
Proceeds from sale of property, plant and equipment	3	55	12
Purchase of other intangible assets	4	-	(205)
Proceeds from sale of financial assets		(160)	-
<b>Net cash flows from investing activities</b>		<b>(628,460)</b>	<b>(1,007,680)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		31,560	-
Movement in loans to employees		150	-
<b>Net cash flows from financing activities</b>		<b>31,710</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>313,795</b>	<b>(37,202)</b>
Cash and cash equivalents at the beginning of the year		6,933	44,135
<b>Cash and cash equivalents at the end of the year</b>	9	<b>320,728</b>	<b>6,933</b>

## Statement of Comparison of Budget and Actual Amounts

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

### Budget on Cash Basis

Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Other income	6,187	-	6,187	7,654	1,467	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants and subsidies	1,235,812	-	1,235,812	1,235,812	-	
<b>Total revenue</b>	<b>1,241,999</b>	<b>-</b>	<b>1,241,999</b>	<b>1,243,466</b>	<b>1,467</b>	
<b>Expenditure</b>						
Personnel	(50,733)	-	(50,733)	(44,653)	6,080	1
Finance costs	-	-	-	(17)	(17)	
Debt written off	-	-	-	(52)	(52)	
Repairs and maintenance	(200)	-	(200)	(47)	153	
General Expenses	(17,377)	-	(17,377)	(18,073)	(696)	
Project costs	(1,167,502)	-	(1,167,502)	(638,242)	529,260	2
<b>Total expenditure</b>	<b>(1,235,812)</b>	<b>-</b>	<b>(1,235,812)</b>	<b>(701,084)</b>	<b>534,728</b>	
<b>Operating surplus</b>	<b>(1,235,812)</b>	<b>-</b>	<b>(1,235,812)</b>	<b>542,382</b>	<b>1,778,194</b>	
Loss on disposal of assets and liabilities	-	-	-	(11,417)	(11,417)	
<b>Surplus before taxation</b>	<b>(1,235,812)</b>	<b>-</b>	<b>(1,235,812)</b>	<b>530,965</b>	<b>1,766,777</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>						
	<b>(1,235,812)</b>	<b>-</b>	<b>(1,235,812)</b>	<b>530,965</b>	<b>1,766,777</b>	

## Statement of Comparison of Budget and Actual Amounts (Continues)

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

### Budget on Cash Basis

Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Reconciliation</b>						
Depreciation and amortisation				(2,379,489)		
Capital projects				628,355		
Provision				(33,560)		
<b>Actual Amount in the Statement of Financial Performance</b>				<b>(1,253,729)</b>		

1. The under expenditure on personnel cost is mainly due to savings of approximately R 6 million due to several vacancies at senior level that were not filled.
2. The under expenditure on capital projects is mainly due to delays experienced in securing additional funding for the over commitments in the prior year. Several projects were suspended in the previous year due to a lack of funding. The entity only received its additional allocation of R431 million in December 2012 to fund the over commitments of the prior year. This delayed the progress on capital projects in progress during the year under review.

## Accounting Policies

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

---

### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board as well as the Public Finance Management Act, Act no 1 of 1999 and the Companies Act no 71 of 2008.

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Significant judgements and sources of estimation uncertainty

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

##### Allowance for doubtful debts

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

##### Useful lives and residual value

The estimated useful lives and residual values of items of property, plant and equipment are reviewed annually taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the specific industries where these assets are used. Infrastructure assets such as roads and bridges are inspected on an annual basis to obtain an updated Visual Conditions Index ("VCI"). The VCI is used to re-assess the remaining useful lives of infrastructure assets and any changes are accounted for as a change in accounting estimate. Refer note 23.

#### 1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

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

The depreciation methods, current estimated useful lives and residual values, if not insignificant, are reassessed annually. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Land is not depreciated and is deemed to have an indefinite life.

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

<b>Item</b>	<b>Average useful life</b>
Buildings	20 Years
Road beds	40 Years
Equipment	3 - 8 Years
Pavement layers	20 Years
Bridges	50 Years

## Accounting Policies

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

---

### 1.3 Intangible assets

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.

Intangible assets are initially recognised at cost.

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.

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

Item	Useful life
Website development cost	3 years

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.4 Financial instruments

#### Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

### **Initial recognition and measurement**

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

### **Subsequent measurement**

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulate impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

### **Fair value determination**

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### **Impairment of financial assets**

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been 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.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

## Accounting Policies

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

---

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

### Loans to (from) economic entities

These include loans to and from controlling entities, fellow controlled entities, controlled entities, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

### Loans to employees

These financial assets are classified as loans and receivables.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### 1.5 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.

### 1.6 Consumables

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

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

Consumables 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 consumables comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the consumables to their present location and condition.

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

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

### **1.7 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.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

### **1.8 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.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

## Accounting Policies

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

---

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

### 1.9 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

#### 1.10 Employee benefits

##### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

## Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

The entity operates a defined contribution plan, the assets of which are held in a separate trustee administered fund. The pension fund is funded by payments from the entity, taking into account the commendations of independent qualified actuaries. The entity's contributions to the defined contribution plan are charged to the statement of financial performance in the year to which they relate.

The entity also has employees who are members of the Government Employee Pension Fund (GEPF). Contributions to the GEPF are charged to the statement of financial performance in the year to which they relate as part of cost of employment. The entity has no legal or constructive obligation to pay further contributions if the GEPF does not hold sufficient assets to pay all employees their benefit relating to employee service in the current and prior periods.

For defined contribution plans, the entity pays contributions to publicly and private administrated pension insurance plans on a contractual basis. Once the contributions have been paid, the entity has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due, as such are included in staff costs. The accruals for employee entitlements to wages, salaries, annual and sick leave represent the amount that the entity has a present obligation to pay as a result of employees' services provided up to the reporting date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

### 1.11 Provisions and contingencies

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.

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.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense. A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

## Accounting Policies

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

---

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

## 1.12 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds.

Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available. Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

### Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

## 1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

## 1.14 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

## Accounting Policies

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

---

### 1.15 Comparative figures

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

### 1.16 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.17 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.

### 1.18 Irregular expenditure

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

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

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008): Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned.

If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### **1.19 Budget information**

Entities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 01/04/2012 to 31/03/2013.

The budget for the economic entity includes all the entities approved budgets under its control.

The 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.

### **1.20 Related parties**

The entity 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.

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

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

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

## Notes to the Financial Statements

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012
• GRAP 103: Heritage Assets	01 April 2012
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012
• GRAP 26: Impairment of cash-generating assets	01 April 2012
• GRAP 104: Financial Instruments	01 April 2012

#### 2.2 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 01 April 2013 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>
• GRAP 18: Segment Reporting	01 April 2013
• GRAP 25: Employee benefits	01 April 2013
• GRAP 20: Related parties	01 April 2013
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013
• GRAP 13 (as revised 2012): Leases	01 April 2013
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013
• IGRAP16: Intangible assets website costs	01 April 2013
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013

## Notes to the Financial Statements

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

### 3. Property, plant and equipment

Figures in Rand thousand						
	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3,700	-	3,700	3,700	-	3,700
Buildings	75,796	(18,482)	57,314	75,796	(14,692)	61,104
Furniture and fixtures	3,977	(3,395)	582	3,983	(3,246)	737
Motor vehicles	305	(305)	-	305	(301)	4
Office equipment	1,002	(889)	113	1,020	(855)	165
IT equipment	9,293	(6,726)	2,567	8,981	(5,814)	3,167
Computer software	1,106	(1,112)	(6)	1,063	(828)	235
Roads and bridges	43,559,109	(13,709,123)	29,849,986	43,079,975	(11,336,717)	31,743,258
PPE under construction	1,549,722	-	1,549,722	1,414,133	-	1,414,133
<b>Total</b>	<b>45,204,010</b>	<b>(13,740,032)</b>	<b>31,463,978</b>	<b>44,588,956</b>	<b>(11,362,453)</b>	<b>33,226,503</b>

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	3,700	-	-	-	-	3,700
Buildings	61,104	-	-	-	(3,790)	57,314
Furniture and fixtures	737	-	-	-	(155)	582
Motor vehicles	4	-	-	-	(4)	-
Office equipment	165	27	-	-	(79)	113
IT equipment	3,167	386	(5)	-	(981)	2,567
Computer software	235	43	-	-	(284)	(6)
Roads and bridges	31,743,258	-	(11,412)	492,256	(2,374,116)	29,849,986
PPE under construction	1,414,133	627,900	(55)	(492,256)	-	1,549,722
<b>Total</b>	<b>33,226,503</b>	<b>628,356</b>	<b>(11,472)</b>	<b>-</b>	<b>(2,379,409)</b>	<b>31,463,978</b>

## Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	3,700	-	-	-	-	3,700
Buildings	64,894	-	-	-	(3,790)	61,104
Furniture and fixtures	978	-	-	-	(241)	737
Motor vehicles	77	-	-	-	(73)	4
Office equipment	376	-	-	-	(211)	165
IT equipment	4,124	136	(9)	-	(1,084)	3,167
Computer software	379	-	-	-	(144)	235
Roads and bridges	33,936,465	-	-	327,367	(2,520,574)	31,743,258
PPE under construction	734,149	1,007,351	-	(327,367)	-	1,414,133
	<b>34,745,142</b>	<b>1,007,487</b>	<b>(9)</b>	<b>-</b>	<b>(2,526,117)</b>	<b>33,226,503</b>

### 3.1 PPE under construction

PPE under construction refers to capital expenditure on roads and bridges such as strengthening, improvements and new roads. These projects are still in progress as at the reporting date.

### 3.2 Buildings

The building are situated on land with erf number 13548 measuring 2 124 square meters located in Pietersburg Township with the registration division L.S.; Limpopo Province.

### 3.3 Fully depreciated assets

The gross carrying amount of fully depreciated property, plant and equipment that was still in use as at year-end amounted to R5 983 733. (2012: R6 084 331)

## 4. Intangible assets

Figures in Rand thousand	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Website design cost	1,661	(1,567)	94	1,661	(1,487)	174

### Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Website design cost	174	(80)	94

## Notes to the Financial Statements

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

Figures in Rand thousand

2013

2012

### Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Impairment loss	Total
Website design cost	1,455	205	(67)	(1,419)	174

### 5. Other financial assets

#### Designated at amortised cost

Other loans and receivables

2,270

2,110

Long-term receivables relates to refundable payments made to the Department of Minerals and Energy for borrow pits on the entity's projects.

#### Non-current assets

Designated at amortised cost

2,270

2,110

### 6. Consumables

Consumables on hand

Consumables at year end consist of office stationery

371

590

### 7. Loans to employees

#### Loans to employees

At beginning of the year

Repayments

273

282

(150)

(9)

123

273

The loans are advanced to employees for study purposes. These loans bear no interest and are repayable once study results have been received.

Loans to employees who pass their exams are expensed once academic results have been submitted.

### 8. Receivables from exchange transactions

Trade debtors

Prepayments

Interest receivable

404

403

46

-

1,417

15

1,867

418

Trade debtors consist of amounts receivable from customers renting advertising space on billboards.

**Trade and other receivables past due but not impaired**

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2013, R64 000 (2012 : R-) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	7	-
2 month past due	8	-
3 month past due	49	-

**Trade and other receivables impaired**

As of 31 March 2013, trade and other receivables of R 51 748 were impaired and provided for.

The amount of the provision was R51 748 as of 31 March 2013 (2012 : R-).

The ageing of these loans is as follows:

3 to 6 months	18	-
Over 6 months	33	-

**Reconciliation of provision for impairment of trade and other receivables**

Provision for impairment	51	-
--------------------------	----	---

**9. Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash on hand	10	10
Bank balances	320,718	6,923
	<b>320,728</b>	<b>6,933</b>

The entity had significant cash on hand at year end due to the fact that an additional allocation of R431 million was received in December 2012 to cover over commitments in the prior year. This allocation was not fully spent at year-end.

**10. Share capital / contributed capital**

Authorised and issued 100 Ordinary shares of R1 each	1	1
---	---	---

Shares are held by the MEC of Roads and Transport in Limpopo, and new share issues must be authorised by the MEC of Roads and Transport.

## Notes to the Financial Statements

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

Figures in Rand thousand	2013	2012
<b>11. Other financial liabilities</b>		
<b>Designated at amortised cost</b>		
Other financial liability	930	930
Amount is payable to the Waterberg District Municipality and relates to a saving on prior year projects that were managed on behalf of the District Municipality.		
Legal settlement	16,085	-
Interest on legal settlement	15,475	-
The legal settlement and interest amounts are payable to a contractor who claimed payment from RAL for costs incurred on a project that was suspended due to pending court cases. The matter was referred to arbitration and the arbitrator issued his final order on 25 April 2013.		
	32,490	930
<b>Current liabilities</b>		
Designated at amortised cost	32,490	930

## 12. Provisions

### Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Legal proceedings	-	2,000	2,000
Leave provision	2,042	83	2,125
	<b>2,042</b>	<b>2,083</b>	<b>4,125</b>

### Legal proceedings provisions

A contractor claimed payment from RAL for costs incurred on a project that was suspended due to pending court cases. The matter was referred to arbitration and the arbitrator issued his final order on 25 April 2013. The amount for legal costs has been provided as the amount of legal costs payable is uncertain.

**13. Payables from exchange transactions**

Trade payables	14,037	234,999
Retention fees	19,852	26,632
13th Cheque	682	681
Accrued expense	10	-
Employee accruals	1,129	884
	<b>35,710</b>	<b>263,196</b>

**14. Tax**

No taxation has been provided for as the entity is exempted from income tax, in terms of Section 10(1)(cA)(ii) of the Income Tax Act, 1962.

**15. Revenue**

Other income	7,654	4,052
Government grants & subsidies	1,235,812	845,445
	<b>1,243,466</b>	<b>849,497</b>

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

Other income	7,654	4,052
--------------	-------	-------

**The amount included in revenue arising from non-exchange transactions is as follows:**

<b>Transfer revenue</b>		
Government grants & subsidies	1,235,812	845,445

**16. Government grants and subsidies****Operating grants**

Equitable share projects	810,338	569,879
Equitable share administration	68,310	65,395
	<b>878,648</b>	<b>635,274</b>

**Conditional grant**

Conditional grant	357,164	210,171
	<b>357,164</b>	<b>210,171</b>
	<b>1,235,812</b>	<b>845,445</b>

**17. Other revenue**

Other income	7,654	4,052
--------------	-------	-------

## Notes to the Financial Statements

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

### 18. General expenses

Figures in Rand thousand	2013	2012
Advertising	305	1,097
Auditors remuneration	1,577	2,267
Bank charges	26	29
Cleaning	544	610
Computer expenses	4	321
Consulting and professional fees	5,297	3,939
Consumables	237	74
Entertainment	-	13
Insurance	459	481
Conferences and seminars	17	42
IT expenses	23	38
Lease rentals on operating lease	193	212
Promotions and sponsorships	-	977
Motor vehicle expenses	25	23
Placement fees	16	470
Postage and courier	7	8
Printing and stationery	240	359
Security	560	442
Subscriptions and membership fees	89	93
Telephone and fax	660	818
Training	11	232
Travel - local	260	467
Electricity	566	627
Bursaries	1,053	996
Court settlements	3,479	-
Non-capital project cost	25,972	44,915
Subsistence and travel costs	4,425	4,443
	46,045	63,993

Non-capital project cost includes an amount of R16 085 000 which relates to a contractor who claimed payment from RAL for costs incurred on a project that was suspended due to pending court cases. The matter was referred to arbitration and the arbitrator issued his final order on 25 April 2013. The amount of the final award has been provided as the entity is still considering appealing the matter. As at the date of the financial statements, it was not clear as to whether the matter will be pursued further as the entity is still awaiting a second legal opinion.

Interest amounting to R484 981 has accrued from balance sheet date to 10 June 2013, which is the date of final payment per the arbitration award.

### 19. Employee related costs

Basic	35,390	38,044
Medical aid - company contributions	1,818	1,948
UIF	236	227
Leave pay provision charge	213	(336)
Post-employment benefits - Pension	4,897	5,121
13th Cheques	2,099	2,239
Transport allowance	-	408
	<b>44,653</b>	<b>47,651</b>

### Directors and Executive Directors Emoluments

#### Figures in Rand thousand

	Salary or Fee	Bonuses and performance related payments	Acting allowance	Leave payout	Subsistence and travel	Travel and housing	Medical and Pension contributions	Total package 2013	Total package 2012
<b>Non-Executive Directors</b>									
MM Maponya	440	-	-	-	18	26	-	484	307
MP Tshisevhe	385	-	-	-	11	14	-	410	301
HS Shipalana	-	-	-	-	-	-	-	-	301
TM Makofane	188	-	-	-	2	11	-	201	168
TL Mazibuko	24	-	-	-	-	-	-	24	-
	<b>1,037</b>	-	-	-	<b>82</b>	<b>82</b>	-	<b>1,119</b>	<b>1,077</b>
<b>Executive Directors</b>									
MA Mogollane (CEO)	123	51	-	107	-	20	1	302	1,788
MM Maponya ( Acting CEO)	319	-	-	-	-	-	-	319	-
C Manyungwana (Acting CEO)	159	-	-	-	-	-	-	159	-
	<b>601</b>	<b>51</b>	-	<b>107</b>	<b>20</b>	<b>20</b>	<b>1</b>	<b>780</b>	<b>1,788</b>

## Notes to the Financial Statements

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

### Directors and executive directors emoluments (continued)

Figures in Rand thousand

	Salary or Fee	Bonuses and performance related payments	Acting allowance	Leave payout	Subsistence and travel	Travel and housing	Medical and Pension contributions	Total package 2013	Total package 2012
<b>Executive Managers</b>									
TF Madale ( General manager corporate services)	918	69	-	-	-	481	12	1,480	1,452
L Sefolo (CIO)	606	46	-	-	-	229	96	977	893
KR Rikhotso	656	49	-	-	-	249	103	1,057	967
JH Groenewald	656	49	-	-	-	261	90	1,056	967
CC Notnagel	1,019	70	203	-	-	160	-	1,452	1,118
RC Ramodike	792	56	-	-	-	12	111	971	893
MT Shivambu	606	46	-	-	-	229	96	977	-
M Venter ( Acting CFO)	-	-	152	-	-	-	-	152	-
M Motsepe ( Acting CFO)	132	-	-	-	-	-	-	132	-
	<b>5,385</b>	<b>385</b>	<b>355</b>	<b>-</b>	<b>1,621</b>	<b>1,621</b>	<b>508</b>	<b>8,254</b>	<b>6,290</b>
	<b>7,023</b>	<b>436</b>	<b>355</b>	<b>107</b>	<b>3,446</b>	<b>3,446</b>	<b>509</b>	<b>11,876</b>	<b>9,155</b>

### 20. Finance costs

Figures in Rand thousand

	2013	2012
Other interest paid	17	2,194
Provision for interest on arbitration	15,475	-
	<b>15,492</b>	<b>2,194</b>

**21. Non-capital project cost**

Preventative maintenance expenditure	-	19,099
Flood damage repairs	-	17,700
Other project related costs	9,887	8,116
	<b>9,887</b>	<b>44,915</b>

**22. Cash generated from operations**

Deficit	(1,253,729)	(1,792,012)
<b>Adjustments for:</b>		
Depreciation and amortisation	2,379,489	2,527,562
Gain (loss) on sale of assets and liabilities	11,417	(2)
Debt impairment	52	-
Movements in provisions	2,083	(334)
<b>Changes in working capital:</b>		
Consumables	219	(283)
Receivables from exchange transactions	(1,449)	814
Consumer debtors	(52)	-
Payables from exchange transactions	(227,485)	234,733
	<b>910,545</b>	<b>970,478</b>

**23. Commitments****Authorised capital expenditure****Capital commitments contracted for at the balance sheet date**

Contracts	268,323	1,192,568
-----------	---------	-----------

Capital commitments will be financed from grants to be received from the Government in 2013/14 and 2014/15 financial years as well as cash on hand.

**Operating leases - as lessee (expense)****Minimum lease payments due**

within one year	-	184
-----------------	---	-----

## Notes to the Financial Statements

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

Figures in Rand thousand

2013

2012

### 23. Commitments (continued)

The entity leases photo copiers from Digi Print for a period of 2 years, effective from 1 April 2011. The lease payment is R 15 293 per month with no annual escalation. No contingent rent is payable. The lease agreement is not renewable at the end of the lease term. There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

### 24. Contingent liabilities

At 31 March 2013, the entity had contingent liabilities in respect of legal cases pending for an amount of R115 065 000 (2012: R87 281 000). Of this some are dormant and others are being appealed, pending finalisation in the 2012/13 financial year.

At 31 March 2013, the entity was not registered for VAT. Output VAT might be payable to SARS on Billboard revenue. The amount payable cannot be determined as we do not know from which period VAT should have been applied. This is pending clarification from the Minister of Finance.

### 25. Related parties

Relationships  
Directors  
Controlling entity

Refer to directors' report note 5  
Department of Roads and Transport

### Related party transactions

#### Grant income received

Department of Roads and Transport

1,235,812

845,445

Directors' and Executive Managers emoluments are disclosed in note 19 to the financial statements.

### 26. Change in estimate

#### Property, plant and equipment

During 2012/13 roads and bridges were inspected to determine the Visual Conditions Index ("VCI"). The VCI is used to estimate the useful life of all roads and bridges. The updated VCI index had an effect on the depreciation that was written off during the current year.

The effect of this revision has increased the depreciation charges for the current period by R 12 765 467 ( 2012: R-).

**27. Prior period errors**

Expenditure relating to the prior financial years were incorrectly accounted for in the 2013 financial year.

The correction of the error results in adjustments as follows:

**Statement of financial position**

Payables from exchange transactions	-	(1,132,934)
Opening Accumulated Surplus or Deficit	-	380,760

**Statement of Financial Performance**

General expenses	-	752,174
------------------	---	---------

**28. Risk management****Financial risk management**

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

The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance.

Treasury regulations require the entity to facilitate a risk assessment to determine the material risks to which the entity may be exposed to and to evaluate the strategy for managing these risks. A risk assessment exercise is therefore conducted for the whole organisation on an annual basis, with the assistance of the entity's internal auditors. These risk factors form the basis of the internal audit annual coverage plan.

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet the commitments of the entity. Liquidity risk is managed through the budget process and by monitoring actual expenditure against the approved budget.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

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

## Notes to the Financial Statements

To the Provincial Legislature of Roads Agency Limpopo SOC Ltd  
Report on the Financial Statements for the year ended 31 March 2013

Figures in Rand thousand

2013

2012

### 28. Risk management (continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>At 31 March 2013</b>				
Trade and other payables	35,710	-	-	-
Other financial liabilities	32,490	-	-	-
<b>At 31 March 2012</b>				
Trade and other payables	265,238	-	-	-
Other financial liabilities	930	-	-	-

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Credit risk is limited as the entity is not a trading entity.

Trade receivables comprise of sundry debtors and staff loans. Credit risk relating to staff loans is managed by deducting payments due by employees from their monthly salaries.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2013	2012
Cash and cash equivalents	320,728	6,933
Loans and other receivables	1,990	691
Non-current receivables	2,270	2,110

**Interest rate risk**

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

The entity's major source of revenue is government grants and to a lesser extent, interest income depending on cash equivalents held. A major expense is salaries which are fixed for a financial year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates. The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date.

	2013	2012
Cash and cash equivalents ( Upward change) 1%	323,935	7,002
Cash and Cash equivalents (Down-ward change) 1%	317,520	6,863

**29. Fruitless and wasteful expenditure**

Opening balance	3,363	-
Interest charged on payments made late	16	2,194
Advertising cost	-	612
Recruitment cost	-	422
Employee cost (suspended employee)	-	135
	<b>3,379</b>	<b>3,363</b>

**30. Irregular expenditure**

Opening balance	593,486	1,320
Employee cost (Acting allowance)	-	334
Legal fees	-	714
Variation orders on contracts above 20% of contract amount	-	350,793
Supply chain management processes not duly followed on award of contract	-	240,325
	<b>593,486</b>	<b>593,486</b>

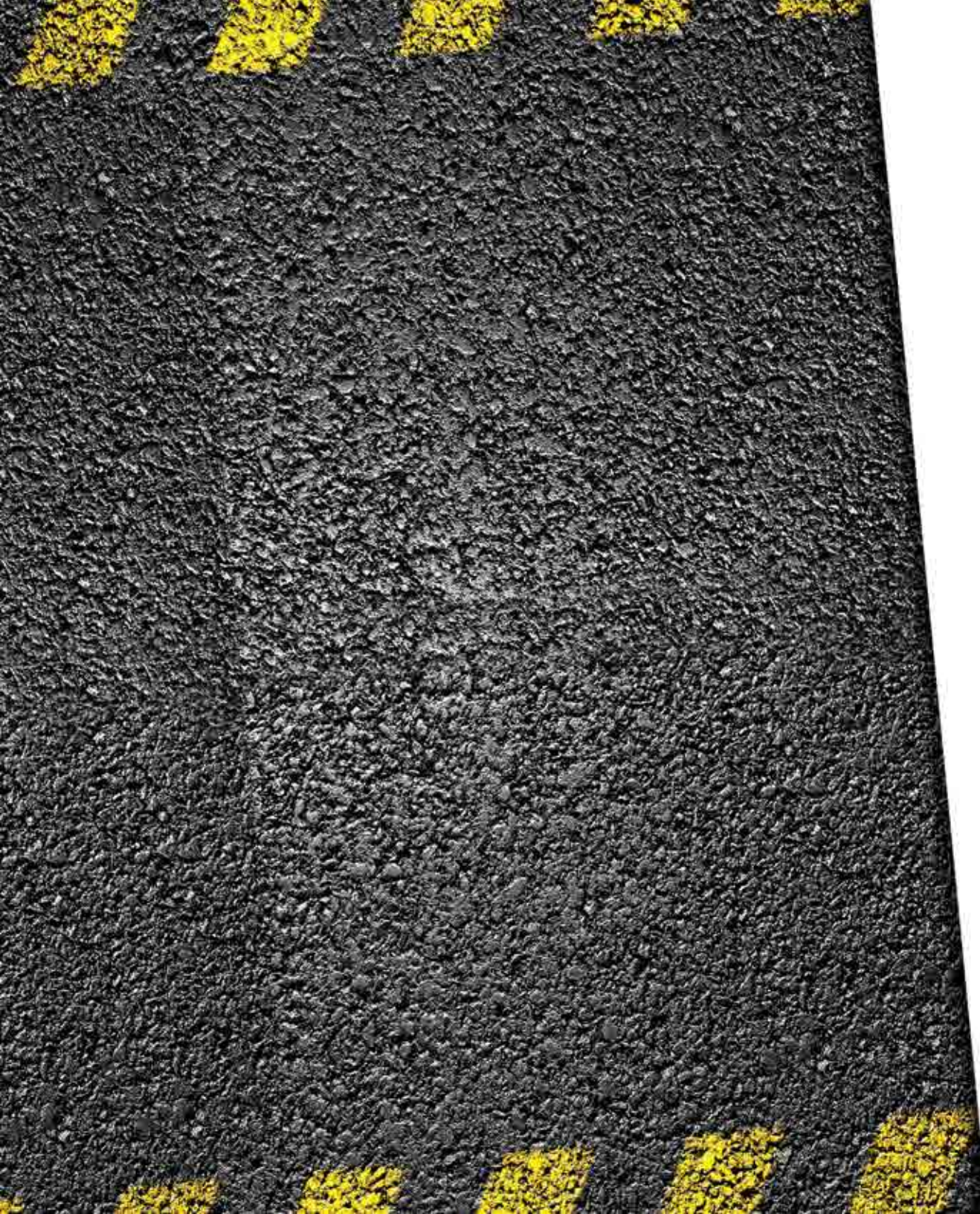












---

**Roads Agency Limpopo SOC Ltd**

26 Rabe Street,

Private Bag X9554, Polokwane, 0700

Tel: 015 284 4600 | Fax: 015 284 4704

ISBN: 978-0-621-41767-8