



ROADS AGENCY LIMPOPO

Together for better roads

ANNUAL REPORT

2014/2015





HYBE



PART A: GENERAL INFORMATION

1.	Public Entity's General Information	7
2.	List Of Abbreviations/Acronyms	7
3.	Strategic Overview	8
3.1.	Vision	8
3.2.	Mission	8
3.3.	Values	8
4.	Legislative And Other Mandates	9
5.	Foreword by MEC	10
6.	Statement by the Chairperson	12
7.	Overview by the CEO	14
8.	Organisational Structure	17
9.	RAL Board Members and Shareholder	18

PART B: PERFORMANCE INFORMATION

19

1.	Auditor's Report: Predetermined Objectives	20
2.	Situational Analysis	20
2.1.	Service Delivery Environment	20
2.2.	Organisational Environment	20
2.3.	Key Policy Developments And Legislative Changes	20
3.	Performance Information By Programme/ Activity/ Objective	21
3.1.	Programme 1: Administration	22
3.2.	Programme 2: Transport Infrastructure	22
3.3.	2014/ 2015 Project Outputs	28
4.	Revenue Collection	29
4.1.	Capital Investment	29

PART C: GOVERNANCE

30

1.	Introduction	31
2.	Portfolio Committees	31
3.	Executive Authority	31
4.	The Accounting Authority / Board	31
5.	Composition of the Board	32
6.	Risk Management	34
7.	Internal Control Unit	34
8.	Internal Audit And Audit Committees	34
9.	Compliance With Laws And Regulations	35
10.	Fraud And Corruption	35
11.	Minimising Conflict Of Interest	35
12.	Code of Conduct	35
13.	Health Safety And Environmental Issues	35
14.	Company Secretary	35
15.	Social Responsibility	35
16.	Audit Committee Report	36

PART D: HUMAN RESOURCE MANAGEMENT

39

1.	Introduction	40
2.	Human Resource Oversight Statistics	40
3.	Employment Equity	44

PART E: FINANCIAL INFORMATION

46

1.	Report of the External Auditor	49 - 54
2.	Annual Financial Statements	47 - 101





80



PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

Registered Name:	Roads Agency Limpopo (SOC) Ltd
Registration Number:	2001/025832/07
Physical Address:	26 Rabe Street Polokwane 0700
Postal Address:	Private Bag X 9554 Polokwane 0700
Telephone Number:	015 284 4600
Website Address:	www.ral.co.za
External Auditors:	AGSA
Bankers:	ABSA
Company Secretary:	Ms Tebogo Kekana

2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor General of South Africa
MEC	Member of Executive Council
BBBEE	Broad - Based Black Economic Empowerment
ACEO	Acting Chief Executive Officer
ACFO	Acting Chief Financial Officer
PFMA	Public Finance Management Act, 1 of 1999
TR	Treasury Regulations
MTEF	Medium Term Expenditure Framework
SMME	Small Medium and Micro Enterprises
SCM	Supply Chain Management

3. STRATEGIC OVERVIEW

3.1 Vision

Contributing to the socio-economic development by connecting the people of Limpopo Province.

3.2 Mission

To provide quality and sustainable provincial road infrastructure network for the economic development of Limpopo Province.

3.3 Values

Core 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



4. LEGISLATIVE AND OTHER MANDATES

Road Agency Limpopo (SOC) Ltd (RAL) is an agency of the Limpopo Provincial Government. It was established in terms of the Northern Province Roads Agency Proprietary Limited and Provincial Roads Act 7 of 1998, as amended. RAL is registered in terms of the Companies Act 71 of 2008, as a state-owned company.



Mr Jeremiah Ndou, MPL
**MEC: Department Of Public Works,
Roads & Infrastructure**

FOREWORD BY THE MEMBER OF EXECUTIVE COUNCIL

It is the responsibility of every South African to continue to better the lives of the people of South Africa. The Limpopo Development Plan provides a clear framework and direction to ensure that we create a better South Africa by focusing on: infrastructure development, sustainable job creation and skills development. This will ultimately deliver economic growth and broad-based prosperity to all South Africans.

Roads Agency Limpopo (RAL) plays a major role in the development of the Limpopo Province's economy, by providing the much needed road infrastructure that largely contributes to the economic growth of the province.

The past three financial years have been challenging, as RAL was one of the provincial agencies placed under section 100 administration. Within this period, the agency regressed from disclaimer to adverse audit opinion. There was instability at the Board level until 1 April 2015 when the new Board was appointed.

Despite the challenges of the past three financial years, RAL, still remained a strategic road infrastructure vehicle for supporting socio-economic priorities of the Limpopo Development Plan. In the next five years, I believe that there are great opportunities for the Agency to address road infrastructure challenges and grow the value of its assets.

Upon appointment of the Board, we gave a clear mandate to them to stabilise the institution. I must say that we are extremely encouraged with the progress made by the Board in this regard. It is important to further express gratitude to the efforts made by the management of RAL in ensuring that the institution runs smoothly and human capital is built from within.

Among other achievements notable with the current RAL leadership is the progress made in terms of signed partnership agreements with the private sector, municipalities and other government departments. All these efforts support our bigger goal of building a well oiled machine that will efficiently and effectively deliver road infrastructure to the people of Limpopo Province.

I therefore continue to encourage the Board of RAL to provide leadership on matters of governance and more importantly support and work together with management.



HONOURABLE AZWINNDINI JEREMIAH DINGAAM NDOU
MEMBER OF EXECUTIVE COUNCIL



Mr. Matome Solomon Ralebipi
Chairperson : Board of Directors

STATEMENT BY THE CHAIRPERSON OF THE BOARD

“After the departure of the section 100 administrators from the Province on 31 March 2015, the Board made significant progress on the key strategic activities”

The current Board of Directors of Roads Agency Limpopo (SOC) Limited was appointed by the erstwhile Member of Executive Council (MEC) of the former Department of Roads and Transport on 1 April 2014.

The Board was appointed at the time when the province was under section 100 administration. This posed serious challenges to the Board, because section 100 administrators were operating under the Constitution of the Republic of South Africa, whereas the Board's agenda was driven by corporate governance frameworks and the desire to make maximum economic and social impact in the Agency.

Often the differing approaches of the administrators and Board led to conflicting ideas on how certain activities should be executed. Typical examples of the activities which could not be completed are approval of the RAL Database and forensic investigations into irregular expenditure and Bermuda Roads.

After the departure of the section 100 administrators from the Province on 31 March 2015, the Board made significant progress on the key strategic activities. Some of the achievements are as follows:

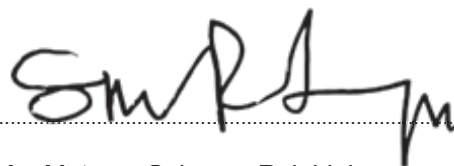
- The Chief Executive Officer (CEO) was appointed on 1 March 2015
- The Board Sub-Committee on Human Resource, supported the CEO in making some of the executive appointments
- The RAL organizational structure and database were approved
- The Board supported and approved the appointment of the CSIR to review and update RAL asset management system
- The Board endorsed forensic investigations into irregular expenditure and Bermuda roads

- Exploration of various financing mechanisms to enhance infrastructure delivery was approved by the Board. This was done in line with the establishment of statute of RAL ; and
- Restructuring of the Sub-Committees to ensure compliance with corporate governance practice.

Going forward, the Board will continue to provide oversight on the following activities:

- Good corporate governance and financial management at Roads Agency Limpopo.
- Support RAL management in pursuing strategic partnership with private and other state-owned entities or Agencies.
- Oversee successful implementation of the Annual Performance Plan and Strategic Plan.
- Promote utilization of road infrastructure delivery to create jobs and support small business in Limpopo.
- Capacitating of the Sub-Committees, more especially the Audit Committee, by appointing independent field experts.

In the next five years, I believe that there are great opportunities for the Agency to address road infrastructure challenges and grow the value of its assets.



Mr. Matome Solomon Ralebipi

Chairperson : Board of Directors



Mr. Maselaganye Petrus Matji
Chief Executive Officer
Roads Agency Limpopo

OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

“The new management team appointed from March 2015, focused on providing decisive and strategic leadership, enhancing financial management, putting internal controls & measures and organizational stability”

OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

In the past three years, Roads Agency Limpopo SOC Limited (RAL) experienced turbulent waves of leadership, financial management, governance and overall organisational instabilities. This led to RAL regressing from a disclaimer to an adverse audit opinion under section 100 administrators.

LEADERSHIP, FILLING OF VACANT POSTS AND ORGANISATIONAL STABILITY

The new management team appointed from March 2015, focused on providing decisive and strategic leadership, enhancing financial management, putting internal controls and measures, organizational stability, enhanced governance, organizational performance, effective communication with internal and external stakeholders, open and transparent communication with the Auditor General of South Africa (AGSA) and the Provincial Treasury. Key on the list of priorities of the RAL was to develop and empower its staff members, and also focus on filling critical vacant positions in the organisation.

The Chief Executive Officer (CEO), Chief Financial Officer, Company Secretary, Senior Manager Human Resources, and Manager in the CEO's office were appointed in the period between March and 15 June 2015. Other two executive positions are in the process of being finalized. They will be concluded before end of 2nd quarter of 2015.

ORGANISATIONAL STRUCTURE

During the section 100 administration period, RAL operated using an interim organisational structure. After appointment of the CEO, the new organisational structure was compiled in line with Chapter 3, section 25 of the Agency's Act of establishment. The organisational structure was approved by the board in April 2015.

ASSET MANAGEMENT AND STRATEGIC PARTNERSHIPS

Furthermore, the leadership took a decision to address queries raised by the Auditor General of South Africa. It goes without saying that knowledge of the condition of the assets, asset type and class is very important. Such knowledge contributes toward improved and structured maintenance of the assets, and continued delivery of services to the end users. The primary fixed assets of RAL is the road network of about 20 260 km, out of which above 5000km is paved or tarred roads and more than 14 000km is gravel.

RAL leadership took a decision to contract the CSIR to review and update its assets, including providing capacity and skills transfer to young engineers. The strategic partnership between RAL and the CSIR was formalized through an MoA on 10 April 2015. This was followed by a project specific agreement signed after mid-April 2015. Another strategic partnership was forged with EXXARO.

IRREGULAR EXPENDITURE

In the past five years, including the period during which Roads Agency Limpopo was under administration, irregular expenditure increased significantly to more than R1 billion. To address this, the new leadership commissioned forensic investigations into all irregular expenditure. Based on the outcomes of forensic investigations, decisive actions will be taken to correct the anomalies. This will include application for condoning some of the expenditure.

"BERMUDA" ROADS

Between 2010/11 and 2014, there were a number of provincial roads that were partially completed for a number of reasons. These roads have been labelled "Bermuda" roads. In the first quarter of 2015, service providers were appointed to investigate all Bermuda roads. The focus will be on actions that led to partial completion of the roads, costs incurred and value for money, processes followed and implications.

SUPPLY CHAIN MANAGEMENT AND DATABASE

RAL had an outdated Supplier Database, which was updated for the last time in 2010. The Auditor General of SA gave an audit opinion on the outdated Database. The priority of the new leadership was to get the database approved and updated in line with Treasury Regulation 16A. The Database was approved by the Board in April/May 2015. As part of the new structure, the new leadership focused on strengthening supply chain management procedures and human capital. A position for senior management supply chain management was introduced. The strategy was to bring on board a seasoned and qualified expert in supply chain management. A Proactive Assurance and Internal Controls Unit was introduced to ensure improved internal controls and compliance in all the business processes.

CAPACITATING STAFF AND REDUCING RELIANCE ON CONSULTANTS

An organisational skills audit will be conducted to ensure that staff members are well placed in line with their capabilities. The CSIR team will focus on conducting engineering and scientific skills audit required to ensure effective road infrastructure delivery, maintenance and management. Reliance on consultants, more especially on the core business of RAL, will be reduced. To ensure delivery of sustainable infrastructure there is a need for strong in-house engineering and management skill-base to oversee outsourced technical functions. Without such capacity, outsourcing remains a risk to any organisation. The Engineering Unit will be strengthened by bringing in qualified and experienced civil, materials, structural, and geotechnical engineers, including quantity surveyors.

EFFECTIVE FINANCIAL MANAGEMENT

Roads Agency Limpopo has put in place several measures to strengthen the financial management system within RAL. Among other measures, is the introduction of Internal control Unit and further strengthening of Supply Chain Management Unit.

EXTERNAL AND INTERNAL COMMUNICATION

The new leadership introduced six social media instruments (i.e. Twitter (@RoadsAgency), LinkedIn, Facebook, YouTube, and Instagram) to communicate with stakeholders at all levels. The vision and strategic direction of the Agency was shared through printed media and radio interviews with stations such as Capricorn FM. The website of the Agency was reviewed to present positive messages and achievements. Internally, electronic communication screens were introduced. New banners were printed and placed in strategic positions.

INFRASTRUCTURE FINANCE

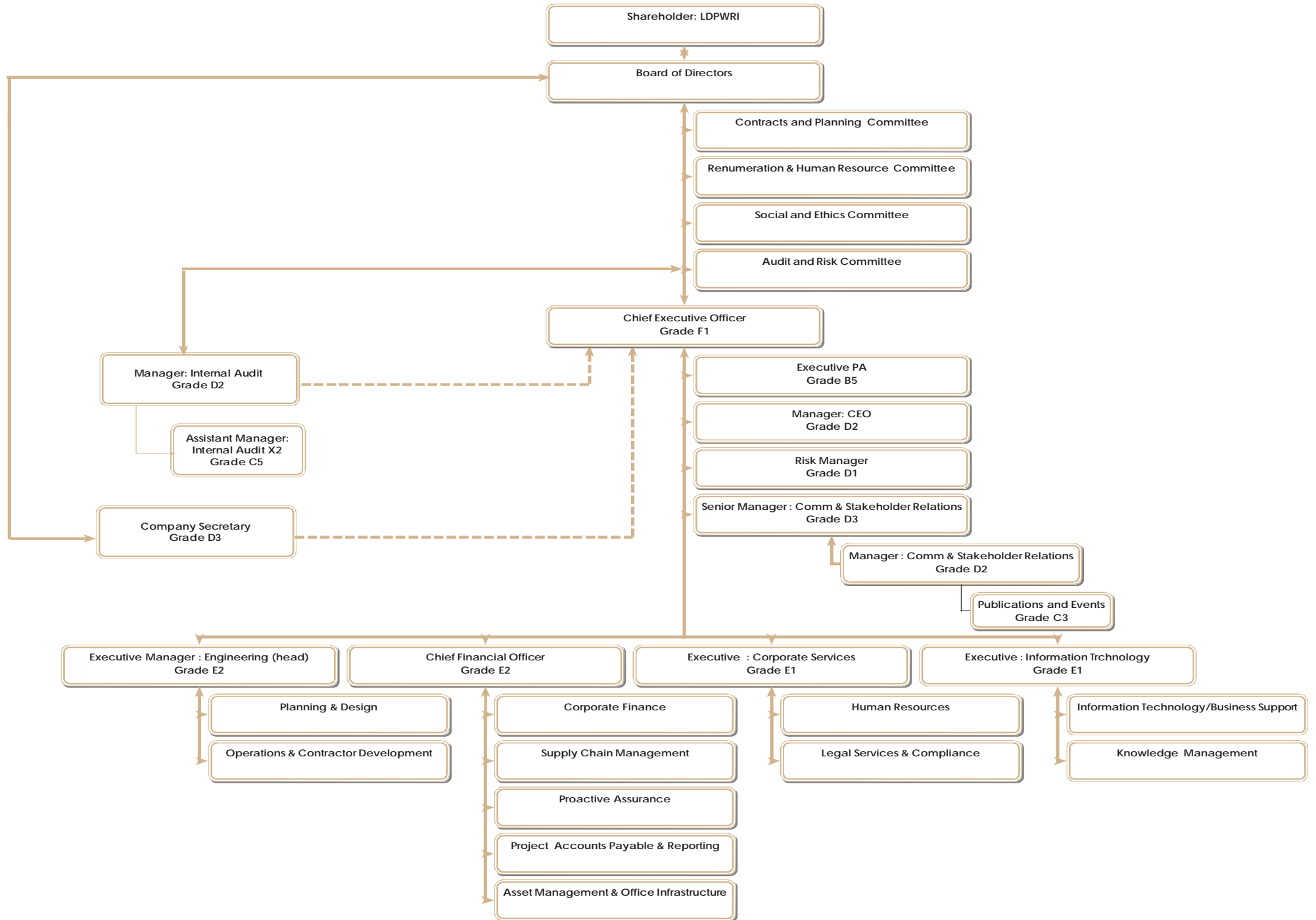
As mentioned earlier, RAL has a huge backlog on gravel roads. Maintenance of these roads and funds required for upgrading them are some of the challenges. To respond to this, RAL has adopted consolidation of both financial and human resources through partnerships with private sector such as EXXARO. Other initiatives which are in the process of being finalised include partnership agreements with PMC, PPC, Anglo American Platinum and ZZ2, etc.), and other state entities (e.g. Municipalities, DBSA, CSIR, etc.). Furthermore, RAL decided to secure the services of a transactional advisor to explore various financing and funding mechanisms to enhance service delivery and maintenance. Appointment of the transactional advisor will be concluded in the 2nd quarter of 2015.

With all our strategic decisions implemented, I am quite certain and confident that we will make maximum contribution to infrastructure delivery in the province, set high performance standards and improve the quality of lives of our people.



Mr. Maselaganye Petrus Matji
Chief Executive Officer

PROPOSED ORGANISATIONAL STRUCTURE



RAL BOARD MEMBERS AND THE SHAREHOLDER



Mr J NDOU
(MEC)



Mr MS RALEBIPI
(CHAIRPERSON)



Mr MP MATJI
(CEO)



Mr MPK TSHIVHASE
(MEMBER)



Ms MH KEKANA
(MEMBER)



Ms TC KEKANA
(COMPANY SECRETARY)



Ms WNG MOLEKWA
(MEMBER)



Ms MJ BOSHILO
(MEMBER)



Ms MK MACHABA
(MEMBER)



PART B: PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PRE-DETERMINED OBJECTIVES

Refer to the Audited Financial Statements (page 51).

2. SITUATION ANALYSIS

2.1 Service Delivery Environment

The Province currently has 20 260 kilometres(km) of roads, of which 5 928 km are tarred and 14 332 km are gravel. The Agency relies on government funding. Despite limited annual allocation of funds, RAL is committed to working tirelessly to eradicate the backlog of gravel or dirt provincial roads in Limpopo.

Due to limited funding, the roads network in the Limpopo Province has been deteriorating. The Province continues to lose good roads due to lack of funding for maintenance. RAL will endeavour to execute its mandate within the available financial resources. During the year, there were roads that were transferred to the Agency by the Limpopo Department of Roads and Transport. The Agency had completed new the construction of new roads and those roads had positive impact to the economy of the Limpopo province in terms of transportation of goods and services

2.2 Organisational Environment

At the beginning of the 2014/15 financial year, the Agency was reconfigured and began to report to the new shareholder, Limpopo Department of Public Works, Roads and Infrastructure from the Limpopo Department of Roads and Transports. At the end of 2014/15 financial year, RAL had 82 employees and a large number of these employees are project managers who seroleisto ensure that RAL's core business imperatives are adequately addressed.

The new Board of Directors which was appointed in April 2014, approved the revised RAL organogram in April 2015 to ensure that the Agency is attracting qualified employees to ensure that it becomes agile and responsive to service delivery challenges experienced in Limpopo Province in terms of roads backlogs.

By the end of March 2015, RAL appointed the new Chief Executive Officer and subsequently appointed the Chief Financial Officer in April 2015. The other Executive positions and key operational positions such as Proactive Assurance and Internal Control Manager, Road Asset Management & Maintenance Manager, Senior Manager

Supply Chain Management; Civil Engineers and General Manager: Planning and Design had been advertised in May 2015. Once these strategic positions are filled, the Agency will be able to implement some of its projects efficiently and effectively

2.3 Key policy developments and legislative changes

There have been no significant changes to the institution's legislative and other mandates in the financial year under review.

3. PERFORMANCE INFORMATION BY PROGRAMME /ACTIVITY/ OBJECTIVE

3.1 PROGRAMME1: ADMINISTRATION

Purpose : To provide the support required in order to effectively manage and deliver efficient service to the people of Limpopo

Strategic Objective	Performance Indicator	2013/14 Actual Achievements	2014/15 Annual Target	2014/15 Actual Achievements	2014/15 Deviations from planned target to actual achievements	Reasons for deviation	Planned Interventions	
Expand and maintain sustainable-Transport Infrastructure within the Province	Number of funded vacant critical posts advertised and filled in accordance with Employment Equity Targets	None	5 positions	2 positions (CEO)	(4) Chief Financial Officer*, Company Secretary, Executive Manager: Engineering, Executive Manager: Corporate Services	The delay were due to prolonged re-cruitment process.	The CFO was appointed in April 2015 and the other key critical posts are on advance stage and appointment will be made in first quarter of 2015/16 financial year.	R64 483.96
	Amount of revenue collected	R16,289 million	R7, 280 million	R6,664 million	4,922 million	More revenue was collected by the agency than expected and significant portion related to interest.	Targets for revenue generation will be based on the previous financial year's baseline	
	Number of sessions conducted on implementation of Risks Mitigation Plans	1 Review	4 Reviews	2 Review	(2 reviews)	The Audit and Risk Committee was appointed in October 2014. Risk Assessment report was only reviewed and approved by the Audit & Risk Committee in the 3rd quarter	Ensure that the Risk Assessment is conducted and approved in the first quarter.	

3.2 PROGRAMME 2: TRANSPORT INFRASTRUCTURE

SUB-PROGRAMME 2.1: PLANNING								
Strategic Objective	Performance Indicator	2013/14 Actual Achievements	2014/15 Annual Target	2014/15 Actual Achievements	2014/15 Deviations from planned target to actual achievement	Reasons for Deviation	Planned Interventions	Expenditure per Target R'000
Expand and maintain sustainable-Transport Infrastructure within the Province	Project list for 2015/16 approved	Approved Project List For 2014/15	Approved Project List for 2015/16	Approved Project List for 2015/16	None	None	None	None, normal operational task.

Purpose: To promote accessibility and the safe affordable movement of people ,goods and services through the delivery and maintenance of Roads Infrastructure that is sustainable, integrated and environmentally sensitive and supports economic growth of the Province.

SUB-PROGRAMME 2.2 DESIGN								
Strategic Objective	Performance Indicator	2013/14 Actual Achievements	2014/15 Annual Target	2014/15 Actual Achievements	2014/15 Deviations from planned target to actual achievements	Reasons for Deviation	Planned Interventions	Expenditure per Target R'000
Expand and maintain sustainableTransport Infrastructure within the Province	Number of infrastructure design for 2014/15 completed	14 Designs	58 Designs	36 Designs	(22 Design)	RAL budget was reduced in the 2014/15 financial year, therefore no new projects were designed.	New projects will be designed in the 2015/16 financial year.	None, normal operational task.

SUB-PROGRAMME 2.3 CONSTRUCTION

Strategic Objective	Performance Indicator	2013/14 Actual Achievements	2014/15 Annual Target	2014/15 Actual Achievements	2014/15 Deviations from planned target to actual achievements	Reasons for Deviation	Planned Interventions	Expenditure per Target R'000
Expand and maintain sustainable Transport Infrastructure within the Province	Number of kilometres of gravel roads up graded to surface roads.	57,36km	78km	44km	(34km)	The Annual Target was set based on higher budget when the APP was finalised. There after, the budget was reduced.	None	R415 273 132 .46
	Number of kilometres of surface roaders rehabilitated	28km	86 lane km	124,30 lane km	38.3 lane km	Additional maintenance projects inherited from the department increased the overall rehabilitation output.	None	R393 789 178.42
	Number of bridges constructed	4 bridges	3 bridges	4 bridges	1 bridge	One bridge was completed earlier than planned due to accelerated work by the contractor.	None	R112 740 328.72

SUB-PROGRAMME 2.4 MAINTENANCE

Strategic Objective	Performance Indicator	2013/14 Actual Achievements	2014/15 Annual Target	2014/15 Actual Achievements	2014/15 Deviations from-planned target to actual achievements	Reasons for Deviation	Planned Interventions	Expenditure per Target R'000
Expand and maintain sustainable Transport Infrastructure within the Province	Number of kilometres of surfaced roads assessed (VCI's completed as per TMH)	0	7 633km	0	(7 633km)	Delays in the appointment of service provider to do assessment of road infrastructure.	The service provider was appointed in April 2015, therefore work will commence in May 2015.	R 0.00
	Number of kilos of gravel Road assessed (VCI's) Completed per TMH	0	14 276km	0	(14 276km)	Delays in the appointment of service provider to do assessment road infrastructure.	The service provider was appointed in April 2015, therefore work will commence in May 2015.	
	100 of compliance on land use activities controlled and reported.	596 Notices issued	Applications 100 percent of compliance on land use activities controlled and reported	508 Applications Approved	None	None	None	None

SUB-PROGRAMME 2.5 EMPOWERMENT (EPWP Coordination & Monitoring)

Strategic Objective	Performance Indicator	2013/14 Actual Achievements	2014/15 Annual Target	2014/15 Actual Achievements	2014/15 Deviations from-planned target to actual achievements	Reasons for Deviation	Planned Interventions	Expenditure per-Target R'000
Expand and maintain sustainable Transport Infrastructure within the Province	Number of jobs created	840	691	2 004	1 313	More labour intensive work on projects identified resulted in employment of more people	None	R18 231 605.92
	Number of youth (16-35) employed-per annum (cumulative)	530	79	1 225	1 146	More labour intensive work on projects identified resulted in employment of more youth	None	Included in figure-above
	Number of women employed per annum (cumulative)	312	362	686	324	More labour intensive work on projects identified resulted in employment of more women	None	Included in figure-above.
	Number of PLW Deployed per annum(cumulative)	1	10	7	(3)	Nature of work made it very difficult to identify work conducive for employment of PLWD	Contractors encouraged to employ more PLWD	Included in figure above.
	Number of people trained per annum (cumulative)	130	1000	552	(448)	Activities that allowed for training of workers only started in Quarter 4.	Training stated in the 4th Quarter and will be completed in the first quarter of the 2015/16 financial year	R781 073.52

4 REVENUE COLLECTION

2014/2015			
Sources of revenue	Budget	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000
Interest	12 000	9 327	2 673
Application for Access Roads	340	402	(62)
Application for Billboards	120	38	82
Application for Land Development	140	158	(18)
Rental Billboards	2 700	1 707	993
Tender Documents	160	578	(418)
Total	15 460	12 210	3 250

In the year under review the revenue collected was not in line with the targets except for application for Access Roads, application for Land Development and Tender Documents.

4.1 Capital Investment

2013/14				2014/15		
Infrastructure Projects	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Upgrading projects	353 481	314 754	38 727	455 156	441 581	13 575
Preventative maintenance	25 000	12 036	12 964	470 424	369 650	100 774
Bridges	65 462	18 051	47 411	117 109	112 773	4 336
Total Capital Projects	443 943	344 841 79% of the total allocation	99 102	1 042 661	924 004 89% of the total allocation	118 685





PART C: GOVERNANCE

1. INTRODUCTION

The Accounting Authority and Accounting Officer of the public entity are responsible for corporate governance.

2. PORTFOLIO COMMITTEES

Roads Agency Limpopo is, from time-to-time, expected to account to the Portfolio Committee for Roads and Transport regarding the delivery of its mandate as stipulated in RAL's founding Act (Number of Meetings).

3. EXECUTIVE AUTHORITY

The NPRA Act requires RAL to annually submit its Annual Performance Plan (APP) to the Executive Authority for approval. The APP outlines the planned targets and time lines during which the targets must have been achieved. The APP for 2015/16 financial year was approved on 26 March 2015

4. THE ACCOUNTING AUTHORITY / BOARD

The Board is the custodian of corporate governance and it 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 ROLE OF THE BOARD

Board members shall act jointly when discharging their duties and no Board member shall have any authority to severally perform any act on behalf of the RAL unless specifically authorised or requested by the Board or authorised nominees of the Board. Board members shall be jointly accountable for the decisions of the Board.

Board members have a legal obligation to act in the best interests of the RAL, to act with due care and diligence in discharging their duties and to avoid and declare conflict of interests when they arise, and to account for any advantages gained in discharging their duties on behalf of the RAL. Board members shall act with integrity and shall not misuse their positions to obtain personal benefits. The Board will base its decisions on policy, strategy, facts and analysis and not on prejudice.

Board members have a legal obligation to act in the best interests of the RAL, to act with due care and diligence in discharging their duties and to avoid and declare conflict of interests when they arise and to account for any advantages gained in discharging their duties on behalf of the RAL. Board members shall act with integrity and shall not misuse their positions to obtain personal benefits. The Board will base its decisions on policy, strategy, facts and analysis and not on prejudice.

Board members shall not disclose to any person, except as provided for in the RAL Act, any information relating to the affairs of the RAL, or a client of the RAL, acquired in the performance of his or her duties or the exercise of his or her functions, or any other information acquired by him or her in the course of the participation in the activities of the RAL unless if authorised to do so as provided for in the RAL Act.

BOARD CHARTER

The Board Charter was approved by the Accounting Authority in the year under review.

Composition of the Board

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Mr MS Ralebipi	Board Chairperson	2 April 2014	-	•B.Com (Acc)	Accounting	Roads Agency Limpopo	-	6
Ms WNG Moleko	Board Member	2 April 2014	-	•M.Arts •B.A. Honours •B.A. Education	Human Resources	Roads Agency Limpopo	REMCO	6
Mr R Shingange	Board Member	2 April 2014	August 2014	•B. Proc.	Legal	Roads Agency Limpopo	-	3
Ms MK Machaba**	Board Member	2 April 2014	-	•B. Tech Civil Engineering	Construction	Roads Agency Limpopo	Audit & Risk	5
Ms MJ Boshielo**	Board Member	2 April 2014	-	•MSC Financial •B.A •Management	Financial Management	Roads Agency Limpopo	Audit & Risk	6
Ms MK Kekana**	Board member	2 April 2014	-	•B. Tech Quantity Surveying	Construction	Roads Agency Limpopo	Contracts & Planning	5
Mr JR Bilankulu**	Board Member	2 April 2014	-	•LLB •B- Juris	Legal	Roads Agency Limpopo	REMCO	6
Ms M Motsepe	Acting Chief Executive Officer	June 2013	February 2015	•BCom (Hons) •Accounting	Financial Management	Roads Agency Limpopo	-	5
Mr. MP Matji*	Chief Executive Officer	1 March 2015	-	•MBL(Corporate Strategy) •Msc(Engineering Sciences)(civil) •Bsc (Hons)(Computational Fluid Dynamics) •Bsc (Applied Maths & Physics) •MAP •Diploma in Business Management •Pr,Nat,Sci •Pr,CPM	Business Leadership, Infrastructure Planning and Finance	Roads Agency Limpopo, Non-Exec Director of JHB Water (SOC) Limited	-	1

*RAL Employee

**Government Representative

Board Committees

Committee	No. of meetings held	No. of members	Name of members
Audit and Risk	2	3	
Human Resources and Remuneration	2	3	Ms Moleko, Ms Machaba, Mr Bilankulu
Contracts and Planning	2	3	Ms Kekana, Ms Moleko, Ms Boshielo

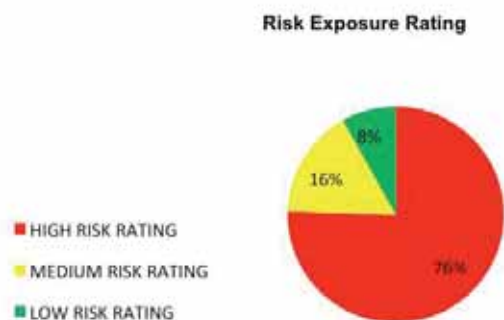
Name	Remuneration	Other allowance	Other re-imbursments	Total
MS Ralebipi	171 000	199 500	0	370 500
WNG Moleko	164 527	221 500	0	386 027
R Shingange	82 249.98	94 000	0	176 249.98
Ms MK Machaba*	0	0	0	0
Ms MJ Boshielo*	0	0	0	0
Ms MK Kekana*	0	0	0	0
Mr JR Bilankulu*	0	0	0	0

eighteen (18) mitigating controls were still in the process of being implemented while five (5) mitigating controls were not yet implemented.

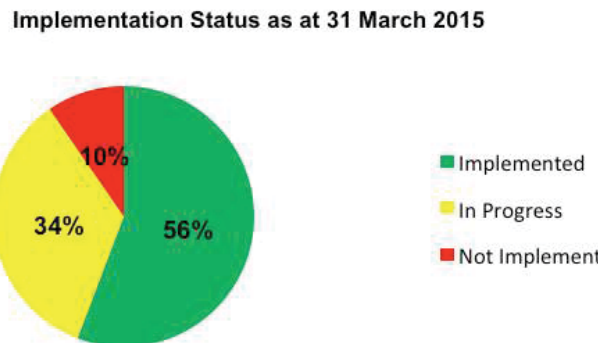
*Government representatives that serve in the Board and its Committees are not remunerated in line with the NPRA Act.

5. RISK MANAGEMENT

The Risk Management Unit was not established but the process was implemented by the Internal Audit Unit. Forty-nine (49) risks were identified, of which thirty-seven (37) risks had a high residual rating, with eight (8) had a rating of medium and four (4) had rating of low. Fifty-two (52) controls were designed to mitigate the forty-nine (49) risks.



Implementation of the risk mitigation measures only commenced in November 2014, due to the Audit and Risk Committee approved the Risk Assessment Report in October 2014. As at 31 March 2015, twenty-nine (29) mitigating controls were implemented; eighteen (18) mitigating controls were still in the process of being implemented while five (5) mitigating controls were not yet implemented.



6. INTERNAL CONTROL UNIT

The Internal Control Unit was not in place in the financial year under review. The recruitment and selection process is at an advanced stage and the Unit will be functional by the second quarter of the 2015/16 financial year. The Unit will ensure that RAL control environment is operating efficiently and effectively.

7. INTERNAL AUDIT AND AUDIT COMMITTEES

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: review the internal control structure, including financial controls and accounting systems, as well as evaluating whether the system of internal control is adequate to manage critical risks;

- review the internal audit function, including its written charter, objectives, goals and staffing plans, as well as evaluating whether the function is performed satisfactorily;
- evaluate whether management demonstrates and stimulates the necessary respect for the internal control structures;
- oversee and manage the total internal audit function to ensure that:
 - the internal audit performance goals are achieved;
 - risks are identified;
 - specific issues requiring attention are highlighted

8 COMPLIANCE WITH LAWS AND REGULATIONS

Among other pieces of law that guide the Agency's operations is the PFMA and RAL Act. RAL has the responsibility to comply with all applicable laws and regulations.

9 FRAUD AND CORRUPTION

RAL had established a Fraud and Corruption hotline and it has been effective since the year 2011. However, the hotline was discontinued in 2013/14 financial year due to less number of call volumes. For 2015/16 financial year, the hotline is a telephonic tool which employees and the public at large can freely use to report any fraud and corruption activities and remain anonymous.

Furthermore, the Agency, in its procurement processes, continue, to give 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.

10 MINIMISING CONFLICT OF INTEREST

All employees of Roads Agency Limpopo are required to complete the declaration forms of which they declare if they have any business interest. The Chief Executive Officer has the responsibility to approve the submissions on declaration of interest.

11 CODE OF CONDUCT

RAL operates on a solid policy platform that covers all areas of the agency. The Board pays particular attention to the effectiveness and relevance of policies, considering all policies before implementation, including ensuring that management complies with relevant laws and regulations.

12 HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The Agency ensures that all the projects that are implemented comply with all the statutory requirements of Environmental Management, Health & Safety regulations. This is done by ensuring that all projects have environmental authorisations and permits from stakeholder departments. In addition, we also ensure that there is compliance monitoring for appointed contractors to meet the Safety, Health and Environmental Management obligations.

The major challenge during execution of projects is the land ownership disputes in the borrow pits areas and this is addressed by strictly adhering to the provisions of the law and intensive stakeholder engagement processes with the Social and Institutional Development (S.I.D) unit at RAL. The process of stakeholder engagement ensures that information dissemination on projects is done throughout the project cycle in order to create awareness within communities and amongst project participants.

13 COMPANY SECRETARY

The entity had an Acting Company Secretary during the 2014/15 financial year. A permanent Company Secretary has been appointed with effect from June 2015.

14 SOCIAL RESPONSIBILITY

The Agency offers bursaries to disadvantaged students pursuing Civil Engineering and Construction related qualifications and Learnership Programme. Upon completion of their studies, bursary holders are offered an opportunity for experiential training equivalent to the number of years the Agency funded the student. During the year under review, there were nine (9) graduate training that were appointed after completing their studies. One student was awarded a bursary to further his/ her studies in field of Civil Engineering and Construction.

The Agency also offered their employees the bursaries to further their studies in the various field of studying that contribute to the Agency mandate. There were two (2) employees awarded with the bursaries in the 2014/15 financial year.

15 AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 31 March 2015. The committee has adopted appropriate formal terms of reference as outlined in the Audit Committee Charter. The Committee has discharged its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, namely:

- reviewing the internal control structure, including financial controls and accounting systems, as well as evaluating whether the system of internal control is adequate to manage critical risks;
- reviewing the internal audit function, including its written charter, objectives, goals and staffing plans, as well as evaluating whether the function is performed satisfactorily;
- evaluating whether management demonstrates and stimulates the necessary respect for the internal control structures;
- overseeing and managing the total internal audit function to ensure that:
 - the internal audit performance goals are achieved;
 - risks are identified;
 - specific issues requiring attention are highlighted;

Audit Committee Members:

The Audit Committee consisted of the members listed hereunder. Two meetings were held during the 2014/15 financial year. The Audit Charter requires that the committee meets at least 2 times per annum.

Name of member	Number of meetings attended
Ms MJ Boshielo Chairperson, Board Member	2
Ms MK Machaba Board Member	2
Mr J Bilankulu Board Member	2

Audit Committee responsibility

The Audit and the Risk Committee reports that it has complied with its responsibilities arising from the Public Finance Management Act and Treasury Regulation 27.1. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessment conducted and special reviews, revealed certain weaknesses, which were then raised with Management.

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

- Review of Policies
- Preventative Maintenance Contracts ceded
- Quarterly Performance Reporting (Q1)

- Quarterly Performance Reporting (Q3)
- Supply Chain Management
- Implementation of AG Action Plan Q2
- Implementation of AG Action Plan Q3
- Implementation of Risk Mitigation Measures Q3
- Review of organizational structure
- Appointment of the service provider for Contract RAL/C724/2014
- Appointment of the service provider for the Pudi Ya Kgopa Ceremony

Information Technology Governance

The following were areas of concern:

Development of Policies

Supply Chain Management

Quarterly Report

The Roads Agency Limpopo has submitted performance reports to the Executive Authority on a quarterly basis.

Evaluation of Financial Statements

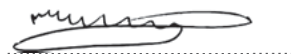
The Audit and Risk Committee has reviewed the annual financial statements.

Auditor General's Audit Report

The Audit and Risk Committee concurs and accepts the conclusions of the Auditor General South Africa 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.

Audit Committee ensures that Internal Audit Unit performs its responsibility by:

- Reviewing competence and qualifications of the Internal Audit Function, including reviewing and concurring with appointment and dismissal of the Internal Audit service provider;
- Reviewing the plans and budgets of the Internal Audit Function. Ensure that the plan addresses the high risk areas and that adequate resources are available;
- Reviewing audit results and action plans of management;
- Reviewing the effectiveness of the Internal Audit Function;
- Ensuring that Internal Audit work is coordinated with External Audit to ensure little or no duplication of work and coverage;
- Receiving and reviewing quarterly progress reports submitted by the internal audit function;
- Reviewing the Annual Risk Assessment process and prioritisation of major risks identified.



MJ. Boshielo

Chairperson of the Audit and Risk Committee

31 July 2015





PART D: HUMAN RESOURCE MANAGEMENT

1 INTRODUCTION

Since the leadership changes in the Province which ultimately influenced the positive changes within Roads agency Limpopo, RAL is gradually stabilising. The Board of RAL, since appointment in 2014, focused on transforming the organisation by providing decisive and strategic leadership, enhanced financial management, strengthened internal controls and measures, organizational stability, enhanced corporate governance, organizational performance, effective communication with internal and external stakeholders, open and transparent. Addressing the concerns raised by the Auditor General of South Africa (AGSA) and the Provincial Treasury during and after the audits became a priority for the leadership of RAL. At the centre of the above mentioned priorities was people development and empowerment.

The Chief Executive Officer (CEO), Chief Financial Officer (CFO), Company Secretary, Senior Manager Human Resource, and Manager in the CEO's office were appointed in the period between March and 31 May 2015. Other two executive positions, Chief Information Officer and Executive: Engineering, are in the process of being finalized. They will be concluded before the end of 2nd quarter of the 2015/2016 Financial Year. The organisational structure was approved by the Board in April 2015.

RAL leadership (Board & CEO) regard the employees of RAL as its Intellectual Capital. RAL will conduct skills training to facilitate competency of staff and to create an enabling learning environment by partnering with Construction Seta and other service providers to train RAL staff. RAL also encourage and support all staff to upgrade their qualifications and make RAL a learning Organisation and strive for excellence. The CEO encourages staff to register with professional organisations for the purposes of continuous professional development and for ethical considerations.

RAL will effectively manage and implement performance management systems and to ensure compliance by all line managers to make PMS a success. PMS to RAL is a management tool to facilitate positive performance of staff as well as development of staff where they are lacking.

The message to management team is to conduct performance assessments and appraisals carefully, effectively and correctly, not as an academic exercise. This program is developmental in nature not punitive. It is aimed at making sure that employees performs optimally to the benefit and success of RAL and Limpopo Province.

As the employees of RAL are our most important asset, RAL will strive to enrol and academically capacitate the staff through the process of auditing the skills of the workforce and determining the skills gaps and filling the gaps through education and collaboration/partnerships with other institutions as well as with the Construction SETA (CETA). Top performers will also be awarded bursaries from our partners in development.

To make RAL the employer of choice we will not only offer competitive remuneration packages but also introduce non-monetary incentives. Discussions are underway with Vodacom and Absa and other service providers who are contracted to RAL to plough back by offering discounts and competitive rates to staff. For example we have requested ABSA to assist our staff in their Housing and Car schemes and Vodacom in their discounts to include staff on our corporate packages as well.

2 HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme/activity/objective

Personnel cost by salary band

Programme/activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Engineering		23 222	52.25%	45	516
Corporate Services		4 722	10.62%	8	675
Finance		10 526	23.68%	22	478
Information Technology		2 706	6.09%	5	541
CEO's Office		3 270	7.36%	2	1 090
Total		44 446	100%	82	542

Level	Personnel Expenditure (R'000)	% of personnel exp to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	2 820	6.34%	2	1 410
Senior Management	4 481	10.08%	4	1 120
Professional qualified	21 524	48.44%	24	897
Skilled	9 330	20.99%	19	491
Semi-skilled	5 736	12.91%	29	198
Unskilled	555	1.24%	4	139
Total	44 446	100%	82	542

Performance Rewards*

Programme/activity/objective	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	0	0	0
Senior Management	0	0	0
Professional qualified	0	0	0
Skilled	0	0	0
Semi-skilled	0	0	0
Unskilled	0	0	0
Total	0	0	0

* RAL did not have a performance management instrument in place during 2014/15 financial year.

Training Costs

Programme/activity/ objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
Training and Courses	44 446	678	1.53%	64	10.59

Programme/activity/objective	2013/2014 No. of Employees	2014/2015 Approved Posts	2014/2015 No. of Employees	2014/2015 Vacancies	% of vacancies
Employment and Vacancies	82	104	82	22	22.12%

Programme/activity/objective	2013/14 No. of Employees	2014/2015 Approved Posts	2014/2015 No. of Employees	2014/15 vacancies	% of vacancies
Top Management	2	3	2	1	33%
Senior Management	4	8	4	4	50%
Professional qualified	24	32	24	8	25%
Skilled	19	25	19	6	24%
Semi-skilled	29	32	29	3	9%
Unskilled	4	4	4	0	0%
Total	81	104	82	22	21%

Roads Agency Limpopo has advertised all critical posts in 2014/15 financial year and the appointment process is at advance stage and filled some on temporary basis. There are employees who were seconded from the National Department of Transport as part of the intervention brought about by Section 100 (1) (b) of the constitution of South Africa. Due to delays in the appointment of RAL Board of Directors, no permanent appointment of Top Management and Senior Management was done. All positions which were advertised in the 2014/15 will be filled in the 2015/16 financial year.

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Top Management	1	1	1	1
Senior Management	4	0	0	4
Professional qualified	24	0	0	24
Skilled	19	0	2	17
Semi-skilled	20	9	6	23
Unskilled	4	0	0	4
Total	72	10	9	73

Employment Changes

Reasons for employee leaving

Reason	Number	% of total no. of staff leaving
Death	1	10%
Resignation	3	30%
Dismissal	0	0%
Retirement	1	10%
Ill-health	0	0%
Expiry of contract	5	50%
Other	0	0%
Total	10	100%

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Written Warning	0
Final Written warning	0
Dismissal	0

3 EMPLOYMENT EQUITY

Equity Target and Employment Equity Status

MALE								
Levels	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	2	0	0	0	0	0	1
Senior Management	3	3	0	0	0	0	0	1
Professional qualified	14	15	0	1	1	1	1	1
Skilled	4	6	0	0	0	0	0	0
Semi-skilled	15	14	0	0	0	0	0	0
Unskilled	1	2	0	0	0	0	0	0
Total	39	42	0	1	1	1	1	3

FEMALE								
Levels	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	0	0	0	0	0	1
Senior Management	0	2	0	0	0	0	0	0
Professional qualified	8	9	0	1	0	0	0	0
Skilled	14	14	0	0	0	0	1	0
Semi-skilled	12	13	2	2	0	0	0	0
Unskilled	3	4	0	0	0	0	0	0
Total	37	43	2	3	0	0	1	1

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Total	0	0	0	0

The Agency did not meet its employment equity targets in terms representation of women in top and senior management. The Agency intends to satisfy its employment equity needs in the 2014/15 financial year. However, the Agency had appointed female Company Secretary with effect from June 2015 and this is an indication of new leadership addressing the employment equity at top and senior management. The other key critical positions are at evaluation stage by the Human Resources Unit. The target for people with disability will be addressed in the 2016/17 employment equity target



PART E: FINANCIAL INFORMATION



INDEX

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

SECTION	PAGE
Directors' Responsibilities and Approval	48
Report of the Auditor General	49-54
Directors' Report	56-60
Company Secretary's Certification.....	62
Statement of Financial Position	63
Statement of Financial Performance	64
Statement of Changes in Net Assets.....	65
Cash Flow Statement	66
Accounting Policies	69-82
Notes to the Financial Statements.....	85-101

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 2015

The Board of Directors is required by the Public Finance Management Act (PFMA) (Act 1 of 1999) as amended, to maintain adequate accounting records and is responsible for the preparation and integrity of the audited annual financial statements and related financial information included in this annual report. It is the responsibility of the Board of Directors to ensure that audited annual financial statements fairly present the state of affairs of the Roads Agency Limpopo (SOC) Ltd as at the end of the financial year and the results of its operations and cash flows for the period ended.

These financial statements have been prepared using appropriate accounting policies, supported by reasonable and prudent judgement and estimate, in conformity, in all material respects, with South African Standards of General Recognised Accounting Practice (SA Standards of GRAP).and the management of the Roads Agency Limpopo (SOC) Ltd. The Board of Directors has no reason to believe that all representations made to the independent auditors during the audit are not valid and appropriate. The Board of Directors further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements as well as adequate systems of internal financial control.

Nothing has come to the attention of the Board of Directors to suggest that the Roads Agency Limpopo (SOC) Ltd will not remain an ongoing concern for at least the following twelve months.

The Roads Agency Limpopo (SOC) Ltd's Annual Financial Statements which appear on pages 45 to 103 were approved by the Board of Directors and are signed on their behalf by:

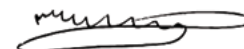
The directors acknowledge that they are ultimately responsible for the system of internal control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include proper delegation of authority within a

clearly defined framework, accounting procedures and adequate segregation of duties to ensure acceptable level of risk. These controls are monitored throughout the entity and 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 risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, control, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board of Directors is of the opinion that the financial statements fairly present the financial position of the Roads Agency Limpopo (SOC) Ltd. The Auditor-General, who are the Roads Agency Limpopo (SOC) Ltd's independent auditors, are engaged to express an opinion on the annual financial statements and were given unrestricted access to all financial records and related data, including minutes of The Board of Directors, the Committees of the Board



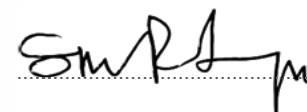
H Magopa
Acting Chief Financial Officer
31 July 2015



MJ. Boshielo
Chairperson of the Audit and Risk Committee
31 July 2015



MP Matji
Chief Executive Officer
31 July 2015



M. Ralebipi
Chairman of the board
31 July 2015

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 2015

Report on the financial statements

Introduction

1 I have audited the financial statements of the Roads Agency Limpopo SOC Ltd set out on pages 63 to 101, which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting 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 the 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 the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act), 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 these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for adverse opinion

Property, plant and equipment (PPE)

6 During 2013, the entity had not submitted documentation supporting its transfers between roads and bridges and PPE under construction as disclosed in note 5 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 was unable to confirm the classification of items of PPE to the amount of R34 633 056 000 as disclosed in note 5 to the financial statements. My audit opinion on the financial statements for the period ended 31 March 2014 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

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 2015

- 7 During 2014, I was unable to obtain sufficient appropriate audit evidence for roads and bridges constructed by other entities which were recognised as additions by the entity, as adequate evidence of the deemed cost calculations could not be provided. I could not confirm the correctness of the deemed cost by alternative means. Consequently, I was unable to determine whether any adjustment to additions stated at R372 828 000 in the financial statements was necessary. My audit opinion on the financial statements for the period ended 31 March 2014 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.
- 8 During 2014, the entity did not provide sufficient appropriate audit evidence for the journals recorded amounting to R1 128 565 878. I was unable to confirm the journals by alternative means. Consequently I was unable to determine whether any adjustment to PPE stated at R30 872 666 000 (2014: R32 621 265 000) in note 5 to the financial statements, was necessary. My audit opinion on the financial statements for the period ended 31 March 2014 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.
- 9 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.
- 10 The entity did not appropriately assess at the reporting date whether there were any indications that infrastructure assets may be impaired in accordance with SA Standards of GRAP 21 Impairment of Non-cash generating assets. I could not confirm the correctness of the carrying amounts of infrastructure assets by alternative means. Consequently, I was unable to determine whether any adjustment to infrastructure stated at R28 540 101 in the financial statements was necessary.
- 11 The entity did not provide sufficient appropriate audit evidence for the adjustments to the opening balance accumulated depreciation of PPE amounting to R4 348 000. I was unable to confirm the journals by alternative means. Consequently I was unable to determine whether any adjustment to PPE stated at R30 872 666 000 (2014: R32 621 265 000) in note 5 to the financial statements, was necessary.
- 12 The entity incorrectly disclosed roads infrastructure completed during the prior year amounting to R530 618 735 as current year additions. Consequently, I was unable to confirm the carrying value of PPE as disclosed in note 5 to the financial statements stated at R30 872 666 000 (2014: R32 621 265 000).
- 13 The list of completed projects included items of maintenance expenditure amounting to R26 365 924. Consequently, additions to PPE as disclosed in note 5 to the financial statements stated R30 872 666 000 (2014: R32 621 265 000) is overstated by R530 618 735.
- 14 No system was in place for the recognition and measurement of PPE under construction. I could not perform satisfactory alternative audit procedures to obtain reasonable assurance on the valuation of PPE. Consequently I was unable to determine whether any adjustment to PPE under construction disclosed at R30 872 666 000 (2014: R32 621 265 000) in note 5 the financial statements, was necessary.

Payables

- 15 Included in payables from exchange transactions are amounts which were settled before the end of the financial period amounting to R15 860 087. Consequently, payables from exchange transactions as disclosed in note 8 to the financial statements to the amount of R48 624 000 (2014: R36 825 000) is overstated by R15 860 087.

Expenditure

- 16 During 2013, I was unable to obtain sufficient appropriate audit evidence for 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.

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 2015

My audit opinion on the financial statements for the period ended 31 March 2014 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Aggregation of immaterial uncorrected misstatements

17 The financial statements were materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following item included in the statement of financial position and the statement of financial performance:

- Payables amounting to R2 564 858 were not recorded at year-end.

18 In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm the following item by alternative means:

- Journals in respect of employee expenditure for 2014 amounting to R1 993 167.

Irregular expenditure

19 The entity procured goods and services amounting to R447 470 000 in contravention of the procurement laws and regulations. Due to a lack of an appropriate procurement system at the entity I was unable to confirm whether the disclosure made as regards to the irregular expenditure in the financial statements was complete. Consequently, I was unable to determine whether any further adjustments to irregular expenditure stated in note 23 to the financial statements stated at R1 799 651 000 (2014: R1 352 181 000) were necessary.

Fruitless and wasteful expenditure

20 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 at R5 895 000 (2014: R5 104 000) in note 24 to the financial statements.

Contingent liabilities

21 No system was in place for the identification and recognition of contingent liabilities. I could not perform satisfactory alternative audit procedures to obtain reasonable assurance that all contingent liabilities were properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of contingent liabilities disclosed at R53 368 884 (2014: R70 768 122) in note 19 to the financial statements.

Opinion

22 In my opinion, because of the significance of the matters described in the basis for adverse opinion paragraphs, the financial statements do not present fairly the financial position of the entity as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA and Companies Act.

Emphasis of matters

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

Significant uncertainties

24 With reference to note 19 to the financial statements, the entity is the defendant in several legal claims. The entity is opposing the claims as it believes the claims to be unjustified. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Restatement of corresponding figures

25 As disclosed in note 17 to the financial statements, the corresponding figures for 31 March 2014 have been restated as a result of an error discovered during 2015 in the financial statements of the entity at, and for the year ended, 31 March 2014

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 2015

Additional matter

26 I draw attention to the matters below.

Other reports required by the Companies Act

27 As part of our audit of the financial statements for the year ended 31 March 2015, 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 an adverse opinion.

Report on other legal and regulatory requirements

28 In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

29 I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2015:

- Objective 2: Transport infrastructure on pages 21 to 25

30 I evaluated the reported performance information against the overall criteria of usefulness and reliability.

31 I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

32 I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

33 I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Additional matters

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

Achievement of planned targets

35 Refer to the annual performance report on pages 21 to 25 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

36 We identified material misstatements in the annual performance report submitted for auditing on the reported performance information of objective 2: transport infrastructure. As management subsequently corrected the misstatements we did not raise any material findings on the usefulness and reliability of the reported performance information.

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 2015

Compliance with legislation

- 37 I performed procedures to obtain evidence that the Roads Agency Limpopo SOC Ltd had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.
- 38 Included below are material findings on non-compliance with specific requirements in key applicable legislation.

Strategic planning and performance management

- 39 The strategic and annual performance plan did not include the objectives and outcomes as identified by the department of public works as required by section 30.1.3(b) and (d) of treasury regulation.

Annual financial statements, performance and annual reports

- 40 The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records as required by section 55(1)(a) and (b) of the PFMA and section 29(1)(a) of the Companies Act (Registered Companies). Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving an adverse audit opinion.
- 41 Written explanation was not tabled in the provincial legislature setting out the reasons why the 2014 annual report had not been tabled within six months after the end of the financial year, as required by section 65(2)(a) of the PFMA.

Audit committees

- 42 Some of the members of the audit committee are full-time employees of the provincial treasury in contravention of section 94(4)(c) of the Companies Act.
- 43 The audit committee did not review the institution's compliance with legal and regulatory provisions, as required by TR 27.1.8(f).

Procurement and contract management

- 44 Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R500 000 were procured by means of inviting competitive bids and that deviations approved by the accounting officer were only if it was impractical to invite competitive bids, as required by Treasury Regulations (TR) 16A6.1 and 16A6.4.
- 45 Bid adjudication was not always done by committees which were composed in accordance with the policies of the entity, as required by TR 16A6.2 (a), (b) and (c).
- 46 Sufficient appropriate audit evidence could not be obtained that awards were only made to suppliers who submitted a declaration of past supply chain practices such as fraud, abuse of SCM system and non-performance, which is prescribed in order to comply with TR 16A9.2.
- 47 Contracts and quotations were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding and quotations, in contravention of TR 16A6.3(a) and the Preferential Procurement Regulations.
- 48 The preference point system was not 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).
- 49 Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the Construction Industry Development Board Act, 2000 (Act No 38 of 2000) (CIDB Act) and CIDB regulation 18.

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 2015

Expenditure management

- 50 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.

Asset management and liability management

- 51 The accounting records of the company's liabilities and obligations were not complete, as required by section 28(1) of the Companies Act and Companies Regulation 25(3)(a) (iii).
- 52 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.

Other matter

- 53 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

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

Leadership

- 55 The accounting authority and management did not exercise adequate oversight responsibility over the enforcement of the entity's SCM policy.
- 56 The entity developed an action plan to address external audit findings but the performance and compliance findings were not adequately resolved.

Financial and performance management

- 57 Instances were identified of misstated reported performance information in the annual performance report that was not identified through the entity's review.
- 58 The entity's internal controls over procurement did not identify non-compliance with the supply chain management policy.
- 59 The entity did not have an internal control system in place to properly identify and account for roads infrastructure assets.

Auditor-General



Polokwane 31 July 2015



DIRECTOR'S REPORT

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015

1. REVIEW OF ACTIVITIES

Main business and operations

The Roads Agency Limpopo (SOC) Ltd was established to own and manage the provincial road network of the Limpopo Province in terms of the Northern Province Roads Agency and Province Roads Agency Limited and Provincial Roads Act, 1998 (Act no 7 of 1998 as amended) and the Companies Act 71 of 2008. The entity is listed in schedule 3C of the Public Finance Management Act of 1999 as amended.

In the year under review the Executive Authority withdrew the Provincial Gazette No 1041, Volume 11 of 28 September 2004 on roads ownership in the province.

Preventative Maintenance was transferred from the Department of Roads and Transport with effect from 1 April 2014.

With the reconfiguration of departments in 2014 financial year, the Roads Agency Limpopo (SOC) Ltd shareholding was transferred from the Limpopo Department of Roads and Transport to the Limpopo Department of Public Works and Roads Infrastructure.

2. GOING CONCERN

The audited annual financial statements have been prepared on the basis of the accounting policies applicable to a going concern. The Board of Directors is of the opinion that the Roads Agency Limpopo (SOC) Ltd has adequate resources to continue with operations in the next financial year and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. SUBSEQUENT EVENTS

The Board of Directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that requires further disclosure in the annual financial statements.

4. DIRECTORS' INTEREST IN CONTRACTS

No material contracts in which the directors have an interest, were entered into in the current year other than the transactions detailed in note 26 of the financial statements

5. GOVERNANCE COMPLIANCE.

General

The Board of Directors retains full control of the Roads Agency Limpopo (SOC) Ltd's plans and strategy and acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally. The Board of Directors is a unitary structure comprising of non-executive board members all of whom are independent. The Board of Directors is committed to the prevailing King Report on Corporate Governance for South Africa and complies with the Protocol on Corporate Governance for State enterprises, the Public Finance Management, Act and the Treasury Regulations. In order to assist the Roads Agency Limpopo (SOC) Ltd to comply with these obligations/ a Shareholder Compact was entered into between the Executive Authorities both in terms of the Northern Province Road Agency and Province Roads Agency Limited and Provincial Roads Act, 1998 (Act no 7 of 1998 as amended) and Section 100 (1)(b) of the Constitution of the Republic of South Africa as well as the Accounting Authority in terms of section 49 (1) of PFMA as amended.

As part of the regulatory framework of the Shareholder Compact, a number of complementary and supporting documents were revised or introduced to enhance governance namely:

the Delegation of Authority, Organisational Performance Plan, the Board Charter, the Revenue Policy, the Inventory Management Policy, the Fraud and Corruption Prevention Policy, the Asset Management Policy, Supply Management Policy, Materiality and significance Framework, the risk and Management Strategy, Risk Management Plan, Internal Audit Charter, Annual Performance Plan, Auditor General's Plan and Quarterly Management Reports. Through this process stakeholders may derive assurance that the Roads Agency Limpopo (SOC) Ltd is being adequately managed. The details of the entity employees are set out on pages 36 to 42 of the annual report.

DIRECTOR'S REPORT

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015

Chairperson and Chief Executive

The Accounting Authority is a non-executive and independent director (as defined by King III). The Board held meetings and executed their fiduciary responsibilities in line with the PFMA. The Board of Directors under the ultimate responsibility of the Chairman created sufficient space to maintain a continuous overview of organisational effectiveness, organisational efficiency, Board performance and Board conformance. The Chairman was a non-executive and independent Board of Directors and the roles of the Chairman and the Chief Executive Officer are separate. The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The Chief Executive Officer attends meetings of the Board and Audit Committee of the Roads Agency Limpopo (SOC) Ltd and reports on activities of the Entity. Being involved with the day-to-day business activities, the Chief Executive Officer is responsible for ensuring that decisions, strategies, and decision of the Board are implemented

In the year under review, the new board members were appointed. In the same period there was an Acting Chief Executive Officer to oversee the daily operations. The new Chief Executive Officer was appointed in March 2015 and subsequently appointed the Chief Financial Officer in April 2015.

Audit and Risk Committee

The Audit and Risk Committee was appointed in October 2014 and for the first six months, RAL had no board sub-committee. Risk Assessment report was only reviewed and approved by the Audit & Risk Committee in the 3rd quarter. The committee met 2 times during the financial year to review matters necessary to fulfill its role. The Audit and Risk Committee was appointed by the newly appointed Board in April 2014.

6.SHARE CAPITAL / CONTRIBUTED CAPITAL

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

7.INTERNAL CONTROL SYSTEMS AND PROCEDURES

To meet its responsibility with respect to providing reliable financial information, the Roads Agency Limpopo (SOC) Ltd maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately safeguarded against material loss of unauthorised acquisition, use, or disposal and those transactions are properly authorised and recorded. The Audit and Risk Committee and the Board held all their scheduled meetings for the year. All documents that were tabled for approval were approved and implemented by the management team. No material deficiencies in the internal controls over financial reporting were identified.

8.RISK MANAGEMENT

The Board had identified new strategic risks associated with the Agency and their inherent risk and residual risk ratings was done. These risks were the responsibility of the management to manage while the Accounting Authority was accountable for ensuring that management has an effective risk management system in place to mitigate the risk exposure.

9.COMMITMENTS, CONTINGENCIES, AND LEGAL PROCEEDINGS

All Roads Agency Limpopo (SOC) Ltd's commitments are reflected in the statement of financial position in the year under review.

10.FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE

Fruitless expenditure related mainly to late payments and interest. Details of fruitless and irregular expenditure are set out in notes 23 and 24.

DIRECTOR'S REPORT

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015

11.FINANCIAL MANAGEMENT

The revised budget of the Agency for the 2014/15 financial period amount to R1 107 316 000. During the current financial year, the Agency transferred the unspent funds amounting to R345 724 000 to LDPWRI relating to grants received during 2013/2014 financial year. R924 004 976 of the total conditional grants received during the year under review was spent ,resulting in a rollover of R118 685 000.

The Agency generated revenue from exchange transactions amount to R12 224 000 consisting of finance income and othe income of R9 327 000 and R2 897 000 respectively. This has increased the Agency's total revenue to R1 119 540 000. Total expenditure for the year under review is R2 787 766 000 of which R2 379 723 000 (or 85%) relates to depreciation and amortisation expense.

The total capital expenditure for the year ended 31 March 2015 amount to R924 004 976 made up of R441 581 000 for upgrading, R369 650 369 for preventive maintenance and R112 773 607 for replacement of flood damaged bridges.

12.DIRECTORS

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

Name	Status	Changes
Ms Ralebipi	Chairpeson	Appointed 2 April 2014
Kekana	Non-Executive	Appointed 2 April 2014
R Shingange	Non-Executive	Resigned August 2014
WNG Moleko	Non-Excutive	Resigned 2 April 2014
JR Bilankulu	Non-Executive	Appointed 2 April 2014
MK Machaba	Non-Executive	Appointed 2 April 2014
MJ Boshielo	Non-Executive	Appointed 2 April 2014

13.COMPANY SECRETARY

The entity had no board secretary during the 2014/15 financial year. The Senior Manager: Legal Services was acting Company Secretary during the 2014/15 financial year to ensure that the board function effectively and board members complied with King III report, Companies Act 71 of 2008 and other relevant legislations. RAL appointed the Company Secretary with effect from 1 June 2015

14.HUMAN RESOURCES

The Roads Agency Limpopo (SOC) Ltd maintains a positive ethical work climate that is conducive to attracting, retaining and motivating a diverse group of quality employees at all levels of operations to encourage team spirit and personal commitment. The key positions vacant for the year under review were that of the Chief Executive Officer and Chief Financial Officer. These positions were filled in March and April 2015 respectively. The other executive positions are in a process of being filled and target date to fill these posts is the end of the first quarter and beginning of second quarter depending on the candidate availability to join the Agency. The Agency has reviewed the interim structure so that the Agency will be able to attract qualified professional and upskill the current workforce.

Human Resource policies and practices foster a fair and open people management approach which engenders a high performance environment to benefit all stakeholders.

DIRECTOR'S REPORT

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015

The Roads Agency Limpopo (SOC) Ltd is committed to Employment Equity and provides opportunities for all its employee with special attention to Previously Disadvantaged Individual (PDI's)

Total Employees	African	%	Coloured	%	Indian	%	White	%	Total
Top management	1	3%	0	0%	0	0%	0	0%	1
Senior management	3	4%	0	0%	0	0%	1	33%	4
Middle management	22	29%	0	0%	1	100%	1	33%	24
General staff	49	64%	2	100%	0	0%	1	33%	52
Sub-total	75	100%	2	100%	1	100%	3	100%	81

Total Female Employees	African	%	Coloured	%	Indian	%	White	%	Total
Top management	0	0%	0	0%	0	0%	0	0%	0
Senior management	0	0%	0	0%	0	0%	0	0%	0
Middle management	8	22%	0	0%	0	0%	0	0%	8
General staff	29	78%	2	100%	0	0%	1	100%	32
Sub-total	37	100%	2	100%	0	0%	1	100%	40

Total Male Employees	African	%	Coloured	%	Indian	%	White	%	Total
Top management	1	5%	0	0%	0	0%	0	0%	1
Senior management	3	8%	0	0%	0	0%	1	50%	4
Middle management	14	36%	0	0%	1	100%	1	50%	16
General staff	20	51%	0	0%	0	0%	0	0%	20
Sub-total	38	100%	0	0%	1	100%	2	100%	41

DIRECTOR'S REPORT

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015

15.AUDITORS

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



H Magopa

Acting Chief Financial Officer

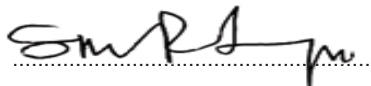
31 July 2015



MP. Matji

Chief Executive Officer

31 July 2015



M. Ralebipi

Chairman of the Board

31 July 2015

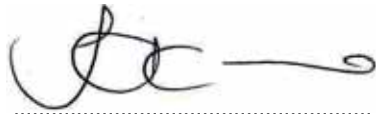


COMPANY SECRETARY'S CERTIFICATION

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2014

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 required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



Ms TC Kekana

Company Secretary

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

Figures in Rand Thousand

	Notes	2014/15 R '000	2013/14 R '000
ASSETS			
Current Assets			
Cash and cash equivalents	2	118,685	406,001
Receivable from exchange transactions	3	1,009	1,700
Inventories	4	366	261
Non-Current Assets			
Property, Plant and Equipment	5	30,872,666	32,621,265
Intangible assets	6	111	108
Receivable from exchange transactions	7	2,220	2,260
TOTAL ASSETS		30,995,056	33,031,595
LIABILITIES			
Current Liabilities			
Payables from exchange transactions	8	48,624	36,825
TOTAL LIABILITIES		48,624	36,825
NET ASSETS			
Ordinary Shares	9	0	0
Accumulated surplus/(deficit)		30,946,432	32,994,770
TOTAL NET ASSETS AND LIABILITIES		30,995,056	33,031,595

Roads Agency Limpopo SOC LTD

(Registration Number 2001/025832/07)

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand Thousand

	NOTES	2014/15 R'000	2013/14 R'000
REVENUE			
Revenue from non-exchange transactions	10	1,107,316	554,614
Government grants and subsidies		1,107,316	519,084
Road and bridges constructed by other entities		-	35,530
Revenue from Exchange Transactions	11	12,224	15,841
Finance Income		9,327	12,073
Other Income		2,897	3,768
TOTAL REVENUE		1,119,540	570,455
EXPENDITURE			
Employee related costs	12	47,888	47,460
Depreciation and amortisation expense	13	2,379,723	2,384,665
Finance costs	14	367	1,197
Bad debts		261	187
General expenses	15	44,865	24,865
Project expenses		314,132	0
Repairs and maintenance		529	343
Loss on disposal of assets		-	3
NET SURPLUS/ (DEFICIT) FOR THE YEAR		(1,668,225)	(1,888,265)

Roads Agency Limpopo SOC LTD

(Registration Number 2001/025832/07)

STATEMENT OF CHANGES IN NET ASSETS

	Notes	Accumulated Surplus	Total Amount
Balance as at 31 March 2013 as previously reported		34,879,801	34,879,801
Prior year adjustment	17	3,234	3,234
Balance at 31 March 2013 as restated		34,883,035	34,883,035
Net surplus/ (deficit) for the year		(1,888,265)	(1,888,265)
Balance as at 31 March 2014		32,994,770	32,994,770
Net Surplus for the year		(1,668,225)	(1,668,225)
Transfer of unspent funds		(345,511)	(345,511)
Transfer of own revenue		(34,601)	(34,601)
Balance as at 31 March 2015		30,946,432	30,946,432

Roads Agency Limpopo SOC LTD

(Registration Number 2001/025832/07)

CASH FLOW STATEMENT

for the financial year ended 31 March 2015

	NOTES	2014/15 R'000	2013/14 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants		761,592	519,084
Interest received		9,891	12,073
Other receipts		3,176	3,768
		774,659	534,925
Payments			
Compensation of employees		(47,286)	(47,460)
Goods and services		(344,828)	(28,004)
Interest and penalties		(367)	(1,197)
Other payments		(52,485)	-
		(444,967)	(76,661)
Net cash from operating activities	16	329,692	458,264
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of assets		(616,953)	(340,674)
Proceeds from sale of assets		-	163
Proceeds from sale of financial assets		-	10
Acquisition of intangible assets		(95)	-
Net cash flows from investing activities		(617,048)	(340,501)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other financial liabilities		40	(32,490)
Net cash flows from financing activities		40	(32,490)
Net increase in cash and cash equivalents		(287,316)	85,273
Cash and cash equivalents at beginning of the year		406,001	320,728
Cash and cash equivalents at end of the year		118,685	406,001





ACCOUNTING POLICIES

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015 (Registration number 2001/025832/07)

1. PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These Annual Financial Statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), as issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act, (Act No 1 of 1999).

The Annual Financial Statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, Liabilities, Revenues and Expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These Accounting Policies are consistent with those applied in the preparation of the prior year Annual Financial Statements, unless specified otherwise.

1.2 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, which is the functional currency of the entity.

1.3 GOING CONCERN ASSUMPTION

The Annual Financial Statements were prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

1.4.1 Current year comparatives (Budget)

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these Annual Financial Statements.

1.4.2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

1.5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The use of judgment, estimates and assumptions is inherent to the process of preparing Annual Financial Statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in the future.

ACCOUNTING POLICIES

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015 (Registration number 2001/025832/07)

Judgements

In the process of applying these Accounting Policies, management has made the following judgements that may have a significant effect on the amounts recognised in the Financial Statements.

Estimates

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

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

- Useful lives and residual values of non-current assets

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.

- Allowance for slow moving, damaged and obsolete inventory

The purpose for the allowance for inventory is to write inventory down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost of sale on certain inventory items. The write down is included in the operating surplus note.

- Impairments of non-financial assets

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets).

For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

- Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

- Provisions (GRAP 19)

The amount recognised as a provision is the present value of the best estimate of the expenditure required to settle the obligation at balance sheet date.

ACCOUNTING POLICIES

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015 (Registration number 2001/025832/07)

1.2 PROPERTY, PLANT AND EQUIPMENT

Initial recognition and measurement

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 in more than one year.

- 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 RAL ;and
- The cost of the item can be reliably measured.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost where acquired through exchange transactions. However, when items of property, plant and equipment are acquired through non-exchange transactions, those items are initially measured at their fair values as at the date of acquisition.

The cost of an item of property, plant and equipment is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the entity. Trade discounts and rebates are deducted in arriving at the cost at which the asset is recognised. The cost also includes the estimated costs of dismantling and removing the asset and restoring the site on which it is operated.

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. These major components are depreciated separately over their useful lives.

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 is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Capital work-in-progress is carried at cost, and depreciated from the date the assets are technically complete, i.e. ready for intended use. Capital work-in-progress is disclosed as a separate category of property, plant and equipment.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Subsequent expenditure

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an assets' residual value, where applicable.

The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and adjusted prospectively, if appropriate.

ACCOUNTING POLICIES

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015 (Registration number 2001/025832/07)

The annual depreciation rates are based on the following estimated asset useful lives:

Item	Useful Life Range in Years
Assets	
- Land	Infinite
- Buildings	50 years
- Furniture and fittings	7 years
- IT equipment	5 years
- Motor Vehicles	5 years
- Office equipment	8 years
- Road beds	40 years
- Pavement layers	20 years
- Bridges	50 years

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.3 INTANGIBLE ASSETS

Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance.

An intangible asset is identifiable when:

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

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 company; and
- the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

ACCOUNTING POLICIES

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015 (Registration number 2001/025832/07)

- The entity intends to complete the intangible asset for use or sale;
- It is technically feasible to complete the intangible asset;
- The entity has the resources to complete the project;
- It is probable that the entity will receive future economic benefits or service potential and
- The entity has the ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset 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 is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Statement of Financial Performance in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

The annual amortisation rates are based on the following estimated average asset lives:

Intangible	Useful Life Range in Years
- Computer Software	3 years
- Website	3 years

The amortisation period, the amortisation method and residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Impairments

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

ACCOUNTING POLICIES

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015 (Registration number 2001/025832/07)

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.4 PROVISIONS, CONTINGENCIES AND COMMITMENTS

1.4.1 PROVISIONS

A provision is a liability of uncertain timing or amount.

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 will be required to settle the obligation ;and
- A reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the 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 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. 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.

1.4.2 CONTINGENCIES

Contingent assets and contingent liabilities are not recognised.

1.4.3 COMMITMENTS

A commitment is an obligation arising from an existing contract, agreement or legislative enactment or regulation that will become an actual liability upon the fulfillment of specified conditions.

Commitments arise when a decision is made to incur a liability in the form of a contract or similar documentation. The amount of contractual commitments for the acquisition of property, plant and equipment is disclosed in the notes to the financial statements.

1.5 LEASES

Recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

ACCOUNTING POLICIES

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015 (Registration number 2001/025832/07)

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Measurement

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

Derecognition

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

1.6 INVENTORIES

Initial recognition and measurement

Inventories comprise current assets held consumption during the ordinary course of business. Inventories are initially recognised at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent measurement

Inventories, consisting of consumable stores, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is the first-in, first-out method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

ACCOUNTING POLICIES

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015 (Registration number 2001/025832/07)

A provision is maintained for obsolete or damaged inventory. The level of the provision for obsolete inventory is equivalent to the value of the difference between the cost of the inventory and its net realisable value or current replacement cost at financial year-end.

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction of inventories recognised as an expense in the period in which the reversal occurs.

Derecognition

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.7 REVENUE

REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Sale of goods

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

- The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

ACCOUNTING POLICIES

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015 (Registration number 2001/025832/07)

Interest revenue

Interest is recognised as it accrues, in the Statement of Financial Performance, on a time proportionate basis using the effective interest rate method.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange transactions are transactions that are not exchange transactions.

Revenue from non-exchange transaction arises when the entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the creditor.

1.8 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The entity ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capitals asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.9 EMPLOYEE BENEFITS

Short-Term Employee Benefits

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

ACCOUNTING POLICIES

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015 (Registration number 2001/025832/07)

Post Employment Benefits

The entity provides post employment benefits for its officials. These benefits are provided as defined contribution plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Defined Contribution Plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance

1.10 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (PFMA) and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the entity's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.11 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.12 RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, and is recognised when the recovery thereof from the responsible officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income.

1.13 SURPLUS OR DEFICIT

Gains and losses arising from fair value adjustments on investments and loans, and from the disposal of assets, are presented separately from other revenue in the Statement of Financial Performance.

Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a Standard of GRAP.

1.14 INCOME TAX

RAL is an exempt entity in terms of Section 10(1)(t) of the Income Tax Act, Act 58 of 1962. As a result of the exemption no income tax has been provided for in the current financial year.

1.15 RELATED PARTIES

The entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

ACCOUNTING POLICIES

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015 (Registration number 2001/025832/07)

Where transactions occurred between the entity and any one or more related parties, and those transactions were not within:

- Normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- Terms and conditions within the normal operating parameters established by the reporting entity's legal mandate;
- Further details about those transactions are disclosed in the notes to the financial statements

1.16 SUBSEQUENT EVENTS AFTER THE REPORTING DATE

Events after the reporting date are those events both favourable and unfavourable that occur between the reporting date and the date when the annual financial statements are authorised for issue, and are treated as follows:

- The entity adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date for those events that provide evidence of conditions that existed at the reporting date, and
- The entity does not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date for those events that are indicative of conditions that arose after the reporting date.

1.17 BUDGET INFORMATION

RAL includes an additional financial statement on comparison of budget amounts and actual amounts arising from the execution of the Budget in its annual financial statements, together with disclosure of the reasons for material differences between the approved budget, final budget and actual amounts. This reporting disclosure assists RAL to discharge its accountability obligations and enhances the transparency of the annual financial statements, by demonstrating compliance with the approved budget for the financial year, for which RAL is held publicly accountable

The Statement of Comparison of Budget and Actual Amounts presents separately, for each level of governance oversight, the approved and final budget amounts and the actual amounts on a comparable basis to the budget. The budget adopts a cash basis of accounting, whilst the annual financial statements are prepared on the accrual basis of accounting. In order to assist users in understanding the application of the budget, RAL includes a separate reconciliation of actual amounts on a comparable basis to the budget, to the actual amounts in the annual financial statements (net surplus in the Statement of Financial Performance). RAL is committed to expend funds and operate within the limits of its approved budget allocation.

1.18 FINANCIAL INSTRUMENTS

Initial Recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial Measurement

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

ACCOUNTING POLICIES

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015 (Registration number 2001/025832/07)

Subsequent Measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

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

Derecognition

A financial asset is derecognised at trade date, when:

- The cash flows from the asset expire, are settled or waived;
- Significant risks and rewards are transferred to another party; or
- Despite having retained significant risks and rewards, RAL has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Gains and losses

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

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

Offsetting

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

Impairments

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets held at amortised cost

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

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

ACCOUNTING POLICIES

To the Provincial Legislature of Roads Agency Limpopo (SOC) Ltd Report on the Financial Statements for the year ended 31 March 2015 (Registration number 2001/025832/07)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets held at cost

Investments in residual interests, which do not have quoted market prices and for which fair value cannot be determined reliably.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Cash includes cash on hand and cash with banks.

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

Trade and other receivables

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

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

Trade and other payables

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

1.19 NEW STANDARDS AND INTERPRETATIONS

A. Early adoption of Standards and Interpretations: Approved But Not Effective in the Current Year

The following Standards of GRAP have been approved by the Minister of Finance but are not yet effective for the year ended 31 March 2015. RAL has, however, decided to early adopt these Standards of GRAP in accordance with Directive 5 on Determining the GRAP Reporting Framework.

RAL has chosen to apply the following Standards of GRAP in formulating its Accounting Policy for Related Parties.

- GRAP 20:Related Party Disclosure

B. New Standards and Interpretations: Approved But Not Effective in the Current Year and Not Yet Adopted

The following new/ revised standards are not yet effective for the year ended 31 March 2015, and have not been applied in preparing these annual financial statements.

The following new/ revised standards are not yet effective for the year ended 31 March 2015, and have not been applied in preparing these annual financial statements.

Standards of GRAP	Details of the amendment to the Standards and the anticipated impact thereof	Financial Period
GRAP 32: Service Concession Arrangements: Grantor	The new standard prescribes the accounting for service concession arrangements by the grantor, a public sector entity. The impact of this is currently being assessed by management.	To be determined by the Minister. (Issued in November 2010)
GRAP 105: Transfer Of Functions Between Entities Under Common Control	The new standard of GRAP establishes the accounting principles for the acquirer and transferor in a transfer of functions between entities under common control Management's assessment indicates that the new standard will have no impact.	To be determined by the Minister. (Issued in November 2010)
GRAP 106: Transfer Of Functions Between Entities Not Under Common Control	The new standard of GRAP deals with the establishment of accounting principles for the acquirer in a transfer of functions between entities not under common control. Management's assessment indicates that the new standard will have no impact.	To be determined by the Minister. (Issued in November 2010)
GRAP 107: Mergers	The new standard of GRAP deals with the establishment of accounting principles for the combined entity and combining entities in a merger. Management's assessment indicates that the new standard will have no impact.	To be determined by the Minister. (Issued in November 2010)
GRAP 108: Statutory Receivables	The new standard of GRAP deals with the accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. Management's assessment indicates that the new standard will have no impact.	To be determined by the Minister. (Issued in September 2013)





Roads Agency Limpopo SOC LTD

(Registration Number 2001/025832/07)

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

2014/15
R'000

2013/14
R'000

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash on hand

Bank balance - Current account

0	2
118,685	405,999
118,685	406,001

There are no restrictions placed on the realisation or usability of cash balances. The entity does not have access to any additional undrawn facilities.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade Receivables

Trade receivables

Less: Provisions for doubtful debts

Accrued interest

Students and staff bursaries

Prepayments

Other receivables

94	482
541	720
(447)	(238)
431	995
238	108
225	-
21	115
1,009	1,700

Trade receivables consist of amounts receivable from customers renting advertising space on Billboards

Trade receivables past due but not impaired

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

	2014/15 R'000	2013/14 R'000
1 month past due	-	-
2 months past due	9	-
3 months past due	1	-
Over 3 months past due	0	-
	11	-

Trade and other receivables impaired

The ageing of these loans is as follows:

1 month past due	9	-
2 months past due	10	-
3 months past due	10	-
Over 3 months past due	419	238
	447	238

The entity does not hold any collateral as security.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	238	51
Allowance for impairment losses	209	187
	447	238

4. INVENTORIES

	2014/15	2013/14
	R '000	R '000
Consumable stores	366	261

Consumables at year end consist of office stationery.

Inventories recognised as an expense and included in general expenses amounted to R104 267.94 (2014: R85 536).

5. PROPERTY, PLANT AND EQUIPMENT

SUMMARY	2014/15			2013/14		
	R'000	R'000	R'000	R'000	R'000	R'000
	Cost/ Valuation	Accumulated Depreciation	Carrying Value	Cost/ Valuation	Accumulated Depreciation	Carrying Value
Land	3,700	-	3,700	3,700	-	3,700
Buildings	75,796	(21,022)	54,774	75,796	(19,752)	56,044
Motor vehicles	305	(181)	124	305	(156)	149
Office equipment	1,762	(733)	1,029	1,114	(571)	543
Computer equipment	10,961	(8,004)	2,957	9,654	(6,571)	3,083
Furniture & fittings	4,312	(2,523)	1,789	4,046	(2,216)	1,830
Roads and bridges	47,797,874	(19,257,772)	28,540,101	47,548,031	(16,881,682)	30,666,349
PPE under construction	2,268,192	-	2,268,192	1,889,567	-	1,889,567
TOTAL	50,162,902	(19,290,236)	30,872,666	49,532,213	(16,910,948)	32,621,265

Reconciliation - 2014/15	Opening Balance	Additions	Disposals	Write-off	Depreciation	Closing Balance
Land	3,700	-	-	-	-	3,700
Buildings	56,044	-	-	-	(1,270)	54,774
Motor vehicles	149	-	-	-	(26)	124
Office equipment	543	648	-	-	(164)	1,029
Computer equipment	3,083	1,307	-	-	(1,327)	2,957
Furniture & fittings	1,829	267	-	-	(307)	1,789
Roads and bridges	30,666,349	249,843	-	-	(2,376,538)	28,540,101
PPE under construction	1,889,567	378,625	-	-	-	2,268,192
	32,621,265	630,690	-	-	(2,379,632)	30,872,666

Reconciliation - 2013/14	Opening Balance	Additions	Disposals	Write-off	Depreciation	Closing Balance
Land	3,700	-	-	-	-	3,700
Buildings	57,314	-	-	-	(1,270)	56,044
Motor vehicles	175	-	-	-	(26)	149
Office equipment	536	112	-	-	(105)	543
Computer equipment	3,766	381	-	-	(901)	3,083
Furniture & fittings	2,053	68	-	-	(292)	1,830
Roads and bridges	33,012,682	35,530	-	-	(2,381,863)	30,666,349
PPE under construction	1,552,830	336,737	-	-	-	1,889,567
	34,633,056	372,828	-	-	(2,384,457)	32,621,265

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

Buildings

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

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 R10 778 886 (2014: R10 584 591)

6. INTANGIBLE ASSETS

SUMMARY	2014/15			2013/14		
	R'000	R'000	R'000	R'000	R'000	R'000
	Cost/ Valuation	Accumulated amortisation	Carrying Value	Cost/ Valuation	Accumulated amortisation	Carrying Value
Computer software	1,304	(1,193)	111	1,209	(1,114)	95
Website design cost	1,661	1,661	-	1,661	(1,648)	13
	2,965	(2,854)	111	2,870	(2,762)	108
Reconciliation - 2014/15	Opening Balance	Additions	Disposals	Write-off	Amortisation	Closing Balance
Computer software	95	95	-	-	(78)	111
Website design cos	13	-	-	-	(13)	-
	108	95	-	-	(91)	111
Reconciliation - 2013/14	Opening Balance	Additions	Disposals	Write-off	Amortisation	Closing Balance
Computer software	119	103	-	-	(127)	95
Website design cos	94	-	-	-	(81)	13
	213	103	-	-	(208)	108

7 RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2014/15	2013/14
	R'000	R'000
Designated at cost		
Other loans and receivables	2,260	2,220
	2,220	2,260

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

8. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payable	14,643	16,300
Retention fees	29,971	17,387
13th cheque	620	666
Accrued expenses	-	191
Employee accruals	3,312	2,215
Other payables	78	66
	48,624	36,825

9. SHARE CAPITAL

Authorised

1 00 Ordinary shares of R1 each

2014/15
R '000

2013/14
R '000

0	0
---	---

Issued

1 00 Ordinary shares of R1 each

0	0
---	---

Shares are held by the MEC of Limpopo Department of Public Works, Infrastructure and Roads.

10. REVENUE FROM NON-EXCHANGE TRANSACTIONS'

The revenue from non-exchange transactions is made up as follows:

Government grants - Equitable share projects
Government grants - Equitable share admin
Road and bridges constructed by other entities

1,024,661	519,084
82,655	-
-	35,530
1,107,316	554,614

11. REVENUE FROM EXCHANGE TRANSACTIONS'

Interest received
Other income
Rental income
Sale of tender documents
Application fees
Insurance claims

9,327	12,073
2,897	3,768
1,707	2,956
579	159
598	653
14	-
12,224	15,841

12. EMPLOYEE RELATED COSTS

	2014/15 R '000	2013/14 R '000
Basic Salary	30,041	43,102
Travel and housing Allowances	10,448	-
Medical aid – company contributions	511	576
Post retirement benefit plan cost (Defined contribution plan)	3,586	3,495
Leave pay provision charge	489	94
UIF	127	129
Other allowances	1,930	64
Settlement and others	756	-
	47,888	47,460

13. DEPRECIATION AND AMORTISATION EXPENSES

Property, plant and equipment	2,379,632	2,384,457
Intangible assets	91	208
	2,379,723	2,384,665

14. FINANCE COSTS

Interest on trade and other payables	367	1,197
--------------------------------------	-----	-------

15. GENERAL EXPENSES

	2014/15 R '000	2013/14 R '000
Accommodation	444	395
Advertising	1,649	1,363
Assets expensed	-	19
Auditors remuneration	2,179	1,608
Bank charges	40	28
Bursaries	(6)	258
Cleaning	566	598
Compassion gift and farewell	55	-
Computer expenses	760	34
Conferences and seminars	151	136
Consulting and professional fees	5,302	1,811
Consumables	50	167
Court settlements	16,754	1,686
Electricity, water, refuse removal and rates	917	581
Entertainment	6	22
Insurance	519	457
Internal audit fees	672	249
IT expenses	-	23
Rentals	368	155
Legal fees	6,124	3,885
Licenses	177	-
Marketing campaigns	-	-
Motor vehicle expenses	24	38
Non-capital project cost	-	4,996
Postage and couriers	8	8
Printing and stationery	686	917
Record disposal	420	-
Recruitment cost	756	328
Security	600	600
Subscriptions and membership fees	35	506
Subsistence and travel	3,860	2,964
Catering expenses	7	-
Telephone, fax and internet	795	584
Training	678	293
Travel - local	348	-
Uniforms	27	156
	44,865	24,865

16. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS

	2014/15 R '000	2013/14 R '000
Net Surplus per the Statement of Financial Performance	(1,668,225)	(1,888,265)
Adjusted for:		
Depreciation	2,379,630	2,384,585
Amortisation	92	80
Roads and bridges constructed by other entities	-	(35,530)
(Loss)/gain on sale of assets	-	3
Impairment loss / (reversal of impairment loss)	209	187
Transfer of unspent funds	(345,511)	-
Transfer of own revenue	(34,601)	-
Prior period payments	174	-
Movements in provisions	-	(2,191)
Change in working capital	(1,863)	(605)
(Increase)/decrease in inventories	-	110
(Increase)/decrease in receivables from exchange transactions	586	103
(Increase)/decrease in receivables from non-exchange transactions	-	-
(Increase)/decrease in payables from exchange transactions	(2,448)	-
(Increase)/decrease in payables from non-exchange transactions	-	(818)
Net cash inflows from operating activities	329,905	458,264

17. PRIOR PERIOD ERRORS

The 2014 financial statements have been restated to correct the prior period errors set out below.

The Agency did not review the remaining useful lives of the items of property, plant and equipment as required by GRAP 17.

This has resulted in incorrect calculation of depreciation expenses.

The impact of the correction is as follow:

Statement of Financial Position

Decrease in accumulated depreciation	3,290
Increase in accumulated surplus	3,290

Statement of Financial Performance

Decrease in depreciation	(34)
--------------------------	------

18. COMMITMENTS

ESTIMATED CAPITAL EXPENDITURE

	2014/15 R '000	2013/14 R '000
Capital commitments contracted as at the Balance sheet date		
Contracts for capital expenditure authorised	411,767	998,321

The expenditure will be financed from Government grants.

OPERATING LEASE COMMITMENTS:

Operating lease commitments:

Total future minimum lease payments due:

- within one year	95	95
- within two to five years	16	111
- five years onwards	-	-
	111	206

The entity leases photo copiers from Nashua for a period of 3 years, effective from 1 June 2013. The lease payment is R 7 905 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.

Operating lease commitments:

Total future minimum lease payments due:

- within one year	170	170
- within two to five years	170	341
- five years onwards	-	-
	341	511

The entity leases computer server from CHM Vuwani for a period of 3 years, effective from 1 June 2014. The lease payment of R170 495 is payable annually in advance and there is no annual escalation. No contingent rent is payable. The lease agreement is not renewable at the end of the lease term.

19. CONTINGENT LIABILITIES AND ASSETS

As 31 March 2015, the entity had contingent liabilities in respect of legal cases pending for an amount of R53 368 884 (2013/14: R70 768 122). Of these some are dormant and others are being appealed, pending finalisation in the 2015/16 financial year.

At 31 March 2015, the entity was not registered for VAT as there is uncertainty as to whether the entity should register for VAT. According to the management's assessment, it is more likely than not that the entity will need to register for VAT. Ourpur 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 SARS.

20. RELATED PARTY TRANSACTIONS

RELATIONSHIPS

Shareholder

The principal shareholder of RAL is the MEC of Department of Public Works, Roads and Infrastructure, part of Limpopo Provincial Government

Management

Management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of executive managers up to the members of the accounting authority are considered management. Management compensation is detailed in note titled "Directors and key management remuneration".

Related party relationships exist between RAL, its directors, key management personnel and parties within the provincial sphere of government.

RAL is a Schedule 3C Public Entity in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999). As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties, except the national Department of Transport that had control power through Section 100(1) of the Constitution. All transactions with parties identified as related parties were concluded on an arm's length basis.

The following are the related parties of RAL:

Related party	Relationship
Limpopo Department of Public Works, Roads and Infrastructure	Controlling entity
Limpopo Department of Transport	Controlling entity

Related party transactions

	2014/15 R'000	2013/14 R'000
National Department of Transport Remuneration of acting CEO	2,251	2,405
Limpopo Department of Public Works, Roads and Infrastructure Government grants	1,107,316	519,084

Related party balances

National Department of Transport Payables from exchange transactions	767	2,686
---	-----	-------

21. DIRECTORS AND MANAGEMENT REMUNERATION**Non-Executive Directors**

2014/15	Meeting allowance	Retention fees	Acting allowance	Total
M Ralebipi (Chairperson)	171	200	-	371
WNG Moleko	165	222	-	386
R Shingange	82	94	-	176
	418	515	-	933
2013/14				
MM Maponya	315	-	319	634
MP Tshisevhe	399	-	-	399
TM Makofane	320	-	-	320
TL Mazibuko	258	-	-	258
	1,292	-	319	1,611

Executive Directors

2014/15	Basic salary	Travel and housing allowance	Medical and pension contribution	Other Allowances	Total
MP Matji (CEO)	107	55	16	-	178
MI Motsepe (Acting CEO)	2,251	-	-	-	2,251
	2,358	55	16	-	2,429
2013/14					
MI Motsepe (Acting CEO)	-	-	-	386	386
XC Manyungwana (Acting CEO)	-	-	-	505	505
	-	-	-	891	891

Executive Managers

2014/15	Basic salary	Travel and housing allowance	Medical and pension contribution	Other Allowances	Total
MI Motsepe (Acting CEO)	2,251	-	-	-	2,251
ML Mabuku (Acting CFO)	-	-	-	-	-
R Rikhotso (Acting Executive manager engineering)	765	289	118	215	1,388
NK Mflatela	692	260	108	-	1,061
	3,709	549	226	215	4,700
2013/14					
MI Motsepe (Acting CFO)	-	-	-	1,514	1,514
ML Mabuku (Acting CFO)	1,002	-	-	-	1,002
N Northnagel (Acting Executive manager engineering)	1,016	-	-	83	1,099
R Rikhotso (Acting Executive manager engineering)	658	-	111	54	823
L Sefolo (CIO)	362	-	69	71	502
RC Ramodike	675	-	101	66	842
NK Mflatela	99	-	8	-	107
TF Madale	615	-	8	199	822
	4,427	-	297	1,987	6,711

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Liquidity risk

Liquidity risk is the risk that the entity could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment.

The entity manages its liquidity risk through the compilation and monitoring of cash flow forecasts, as well as ensuring that a satisfactory level of cash and cash equivalents are maintained.

Maturity analysis on the entity's contractual undiscounted cash flows for its non-derivative financial liabilities:

At 31 March 2015

Payables from exchange transactions

Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 year	Total
48,624	-	-	-	48,624

At 31 March 2014

Payables from exchange transactions

Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 year	Total
36,825	-	-	-	36,825

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to financial instrument fails to meet its contractual obligations leading to financial loss.

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables are presented net of the allowance for doubtful debts.

The exposure to credit risk with respect to trade receivables is not concentrated due to a large customer base.

The entity's maximum exposure to credit risk is as follows:

	2014/15 R,000	2013/14 R,000
Cash and cash equivalent	118,685	405,999
Receivables from exchange transactions	94	1,477
Non-current receivables	2,220	2,260
Total credit risk exposure	120,999	409,736

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The entity is exposed to the interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

Fair value

The entity's financial instruments consist mainly of cash and cash equivalents, trade receivables and trade payables.

As at 31 March 2015 no financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are available for sale or held for trading.

The following methods and assumptions are used to determine the fair value of each class of financial instrument:

Cash and cash equivalents

The carrying amounts of cash and cash equivalents approximates fair value due to the relatively short term maturity of these financial assets.

Trade receivables

The carrying amounts of trade receivables net of provision for bad debt, approximates fair value due to the relatively short term maturity of this financial asset.

Trade payables

The carrying amounts of trade payables approximates fair value due to the relatively short-term maturity of these liabilities.

Non-current receivables

The non-current receivables are held at cost due to lack of quoted market prices and reliability in determining the fair value.

The carrying value of short-term borrowings approximates fair value due to the relatively short-term maturity of these liabilities.

FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

At 31 March 2015

Cash and cash equivalent
Receivables from exchange transactions
Non-current receivables

	Carried at fair value	Carried at amortised cost	Carried at cost	Total
Cash and cash equivalent	118,685	-	-	118,685
Receivables from exchange transactions	525	-	-	525
Non-current receivables	-	-	2,220	2,220
Total	119,210	-	2,220	121,430

Financial Assets

At 31 March 2014

Cash and cash equivalent
Receivables from exchange transactions
Non-current receivables

	Carried at fair value	Carried at amortised cost	Carried at cost	Total
Cash and cash equivalent	406,001	-	-	406,001
Receivables from exchange transactions	1,477	-	-	1,477
Non-current receivables	-	-	2,260	2,260
Total	407,478	-	2,260	409,738

23. IRREGULAR EXPENDITURE

Opening Balance
Irregular expenditure – relating to current year
Irregular expenditure – identified by the auditors

Total

	2014/15 R '000	2013/14 R '000
Opening Balance	1,352,181	594,137
Irregular expenditure – relating to current year	27,669	758,044
Irregular expenditure – identified by the auditors	419,801	-
Total	1,799,651	1,352,181

Details of irregular expenditure – current year
Contravention of legislation (Treasury Regulations)
Irregular Expenditure awaiting condonation

	2014/15 R '000	2013/14 R '000
Details of irregular expenditure – current year	27,669	758,044
Irregular Expenditure awaiting condonation	1,771,982	594,137

Details of Irregular Expenditure - Current Year (not condoned and not recoverable)

Incorrect application of the PPPFA when evaluating tenders.

Incorrect application of the PPPFA when evaluating tenders.	25,972	-
---	--------	---

Prior year Irregular expenditure reconciliation based on the investigation

Investigation complete - recommendation for write off/ condonement
Investigation complete - possible recovery/ disciplinary action
Information requested but not received - to be retained as irregular expenditure

Investigation complete - recommendation for write off/ condonement	-	999
Investigation complete - possible recovery/ disciplinary action	-	149,035
Information requested but not received - to be retained as irregular expenditure	-	1,202,147
Total	-	1,352,181



24. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure	2014/15 R'000	2013/14 R'000
Opening balance	5,104	3,700
Fruitless and wasteful expenditure – relating to current year	791	1,404
Less: Amounts condoned by the Board of Directors	-	-
Fruitless and wasteful expenditure awaiting condonation	5,895	5,104

Details of Fruitless and Wasteful Expenditure - Current Year

Interest on settlement of lease agreement and late payment of invoices	53	-
Penalties and interest paid to SARS <i>Contravention of legislation (PFMA)</i>	738	-

25. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

	Approved Budget	Adjustment	Final Budget	Actual	Difference
REVENUE					
Revenue from non-exchange transactions	614,605	168,412	783,017	1,107,316	324,299
Government grants and subsidies	614,605	168,412	783,017	1,107,316	324,299
Road and bridges constructed by other entities	-	-	-	-	-
Revenue from Exchange Transactions	15,460	-	15,460	12,224	(3,236)
Finance Income	12,000	-	12,000	9,327	(2,673)
Other Income	3,460	-	3,460	2,897	(563)
TOTAL REVENUE	630,065	168,412	798,477	1,119,540	321,063
EXPENDITURE					
80,920	-	80,920	2,787,766	2,706,845	
Employee Related costs	58,792	-	58,792	47,888	(10,904)
Depreciation and amortisation expense	-	-	-	2,379,723	2,379,723
Finance Cost	-	-	-	367	367
Bad debt	-	-	-	261	261
General expense	21,854	-	21,854	44,865	23,011
Project expense	-	-	-	314,132	314,132
Repairs and maintenance	274	-	274	529	255
Loss on disposal of assets	-	-	-	-	-
NET SURPLUS / (PEFICIT) FOR THE YEAR	549,145	168,412	717,557	(1,668,225)	(2,385,782)





ROADS AGENCY LIMPOPO

Together for better roads



ROADS AGENCY LIMPOPO (SOC) Ltd

Private Bag X9554, Polokwane, 0700

Tel: 015 284 4600

PR 172/2015 | ISBN: 978-0-621-43677-8