ROADS AGENCY LIMPOPO

Together for better roads

ANNUAL REPORT

2015/2016


JDU TRANSPORT
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ROADS AGENCY LIMPOPO

Together for better roads

PART A: GENERAL INFORMATION

PART B: PERFORMANCE INFORMATION

PART C: GOVERNANCE

PART D: HUMAN RESOURCE MANAGEMENT

PART E: FINANCIAL INFORMATION

PART A: GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

Directors:	Mr M.S. Ralebipi Ms W.N.G. Moleko Mr M.P.K. Tshivhase Ms M.H. Kekana Mr M.P. Matji (CEO)
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:	Auditor General of South Africa.
Bankers:	ABSA Bank Limited
Company Secretary:	Ms. Tebogo Kekana

2. LIST OF ABBREVIATIONS/ACRONYMS

RAL	Roads Agency Limpopo
LDPWRT	Limpopo Department of Public Works Roads and Infrastructure
AGSA	Auditor General of South Africa
MEC	Member of Executive Council
BBBEE	Broad - Based Black Economic Empowerment
CEO	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
GRAP	Generally Recognised Accounting Practice

PART 1: INTRODUCTION

1.1. The Annual Report

This is the Annual Report of the Roads Agency Limpopo (SOC) Ltd, which incorporates its financial performance, as contained in the audited Annual Financial Statements. The aim of the report is to record the performance of RAL in achieving its pre-determined strategic objectives and the implementation of the forecast budget estimates, as measured against the approved Annual Performance Plan and Budget.

1.2. Reporting Framework

The two main focal points of the report are the audited performance information report and the audited Annual Financial Statements which are a fair representation of the financial position, financial performance and cash flows of RAL prepared in conformity with the Framework for the Preparation and Presentation of Financial Statements, as well as the Generally Recognised Accounting Practice Standards.

The Annual Report is in conformity with section 55(1) and (2) of the PFMA, section 30 of the Companies Act 71 of 2008, sections 36 and 37 of the Limpopo Roads Agency Proprietary Limited and Provincial Roads Act 7 of 1998, as amended, as well as section 28.2.2 of the Treasury Regulations.

1.3. Approval of the Annual Report

The Board of Directors of RAL confirms that this Annual Report fairly represents the performance of RAL for the financial year under review. The Audit and Risk Committee of the Board, upon which the oversight and performance monitoring function has been vested, has duly considered the Annual Report and recommended it to the Board for approval. The report was approved by the Board on 22nd of August 2016.

Mr. M.S. Ralebipi

Chairperson: Board of Directors

Mr. M.P. Matji Pr. CPM

Chief Executive Officer

PART 2: GENERAL

2.1. About RAL

RAL is a state-owned company, registered as such in terms of the Companies Act 71 of 2008, and is listed as a Provincial Public Entity under Schedule 3C of the PFMA. It was founded in 1999, through its constitutive Act, the Limpopo Roads Agency Proprietary Limited and Provincial Roads Act 7 of 1998, as amended. The sole mandate of RAL is to act as an implementing agent of the Limpopo Provincial Government, under the auspices of the Limpopo Department of Public Works, Roads and Infrastructure.

It has been bestowed with the power to finance, manage, control, plan, develop, maintain and rehabilitate the provincial road network on behalf of the provincial government. The road asset portfolio of RAL measures in the extent of 20 260 kilometres (km), of which only 5 928km is tarred and the balance of 14 332 km is gravel roads. The Agency obtains its revenue from the Limpopo Provincial fiscus, in the form of the Provincial Roads Maintenance Grant (PRMG) and equitable share. The total budget allocation for the year under review, for both PRMG and equitable share was an amount of R 836 million.

RAL implemented 32 road infrastructure projects (upgrading of roads from gravel to tar) which cost RAL an amount of R 575 million with the equitable share allocated to it for the 2015/16 financial year. An estimated amount of R 160 billion would be required in order to enable RAL to tar the 14 332 km of gravel roads, which amount cannot be derived from the fiscus. Despite the budgetary constraints, RAL strives to employ all its endeavours to eradicate the backlog of gravel roads that require tarring. In this regard, RAL has forged strategic private public partnerships (PPPs) in an effort to raise additional funds totalling R 274.8 million to supplement its government grant allocation.

Furthermore, RAL, in its endeavour to tar its road network, has sourced the services of a transaction advisor to explore various financing mechanisms available to RAL to strengthen its revenue streams. It is envisaged that RAL will be able to curb its budgetary constraints sufficiently enough to upgrade some of the gravel roads in its portfolio.

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

KEEP WALKING
STOP
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FOREWORD BY
THE MEMBER OF EXECUTIVE COUNCIL

The Annual Report of RAL for the 2015/16 financial year is a positive reflection of numerous notable achievements, as well as progressive developments at RAL including, inter alia; the development of more stringent internal controls, better financial management, and an influx of skilled and talented human capital committed to the achievement of the goals of the entity

These positive developments signal an important turnaround from what the Agency was five years ago. RAL is now in a better position than ever to play a significant and meaningful role in the industrialisation of the province, as promulgated in the National Development Plan and the Limpopo Development Plan. A good road infrastructure plays a critical role in opening trade routes and connecting suppliers with markets.

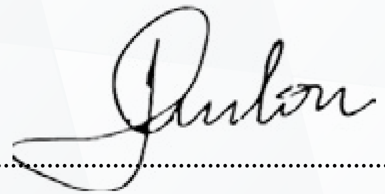
While the Limpopo Department of Public Works, Roads and Infrastructure cannot overemphasise its keen awareness of the importance of road infrastructure development, we have to ensure that resource allocation is commensurate with service delivery. Given the economic environment the country finds itself in, the budget allocation to RAL will have to decline by R 100 million based on the Provincial Treasury performance baseline. A total of less than a R1 billion has been allocated for roads infrastructure for the 2016/2017 financial year.

The department, as the sole shareholder of RAL, is confident, however, that RAL will tackle this challenge by continuing to raise more funds through strategic partnerships as it has done very successfully this past financial year, and by realising better returns on its asset investment portfolio. RAL has already made great strides in capacitating internal capabilities so that costs on external consultants is sufficiently minimised.

I wish to acknowledge the critical role that the board has played in providing strategic direction to RAL, during a tumultuous time. Credit is also due to the incumbent CEO and his executive team, as well as to all the dedicated staff at RAL for the Agency's impressive accomplishments and achievements for the year under review.

Given the history of RAL from a financial management and performance point of view, I could not have asked for a better audit opinion than what RAL got, in light of the fact that for several successive years the audit opinion expressed by the Auditor General of South Africa varied between an adverse one and a disclaimer. Let me, lastly, urge the Board and management to aim for a clean audit in the following audit review.

Hon Mr Jeremiah Ndou, MEC
Department Of Public Works,Roads & Infrastructure



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HONOURABLE AZWINNDINI JEREMIAH DINGAAN NDOU
MEMBER OF EXECUTIVE COUNCIL

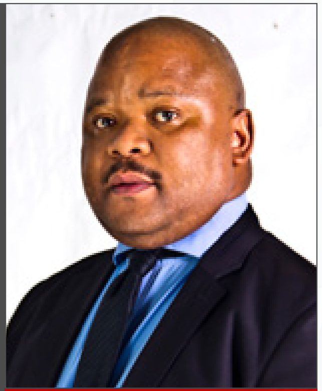
STATEMENT BY
THE CHAIRPERSON OF THE BOARD

The financial year 2015/16 has undoubtedly been one of the most daunting periods for the RAL, considering the milestones that the Board of Directors had set for the entity in its turnaround strategy. During this reporting year, the board devoted a significant amount of effort towards achieving five strategic priorities:

- Addressing identified gaps in corporate governance imperatives; particularly as relates to procurement processes and procedures and accounting for Property, Plant and Equipment (PPE) as required by GRAP 17;
- Introducing better financial management and reporting practices,
- Capacitating the entity with capable human capital to implement the strategic objectives of the Board of Directors;
- Contributing towards socio-economic transformation and creation of job opportunities; and
- Advancing road infrastructure development in the province.

This financial year's annual report represents a strategic shift in the way the Agency approaches accountability, risk management and compliance. Under the firm stewardship of Mr. Maselaganye Matji (CEO), a culture of integrity, ethics and good corporate governance has been instilled within the Agency.

The board ended the year 2015/16 on an encouraging note in that our performance this financial year showed a distinct improvement from the past two financial years 2013/14 and 2014/2015. While there is still much work to be done, this year has seen a marked improvement in revenue generation and expenditure regulation. RAL has also raised more than R 274.8 million through public private partnerships thereby setting the pace for the future. The Agency continued, throughout the year, to formulate policies and introduce rigorous monitoring and oversight procedures to ensure improved internal controls, taking cognisance of its emergence from a history of irregular expenditure. An efficient Audit and Risk Committee comprising three qualified Chartered Accountants was constituted to ensure adequate and effective controls, risk management and assurance framework.



Mr. Matome Solomon Ralebipi
Chairperson: Board of Directors

During the financial year reported on, the Board established the Finance Committee and the Social Ethics Committee which deal with financial planning and budgeting, and addressing of social and ethical issues that form an integral component of the human element of the operations of RAL, respectively. Good progress has been made in the advancement and furtherance of emerging contractors, job creation opportunities, skills transfer and training. RAL has created in excess of 2000 jobs, empowered more than 128 contractors, and trained just under 500 people.

Despite some persisting challenges, we are confident that with the current leadership team, and with the unwavering support of the Shareholder and the Provincial Government, RAL is geared up to meet and exceed the expectations of our shareholder and all interested stakeholders province-wide. On behalf of the Board, I would especially like to extend a vote of gratitude to our shareholder, the MEC of Limpopo's Department of Public Works, Roads and Infrastructure (LDPWRI), Hon. Jeremiah Ndou, for his immeasurable support and guidance during this progressive year, as well as the Limpopo Provincial Government, through the unparalleled leadership of Premier Mathabatha. As the Board, we also, would like to express our appreciation and congratulate management team, under the robust leadership of the Chief Executive Officer, Mr. Maselaganye Matji. The Board is of the opinion that without his tireless dedication and effective leadership, steering the entity from the tumultuous phase it was in to the stable and results-driven entity it is today, would have remained just a vision.

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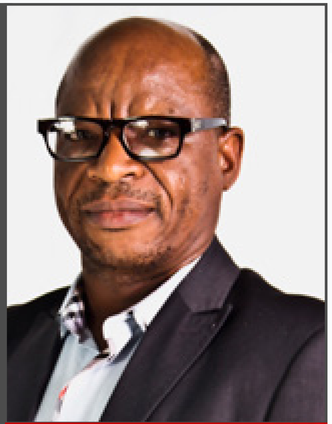
MR. MATOME SOLOMON RALEBIPI
CHAIRPERSON: BOARD OF DIRECTORS

OVERVIEW BY
THE CHIEF EXECUTIVE OFFICER

For the past five financial years ranging from 2010/11 to 2014/15, the audit opinion expressed by the Auditor General of South Africa for RAL alternated between a Disclaimer and an Adverse Audit Opinion. These opinions were attributable mainly to Property, Plant and Equipment and an encroachment of prescribed Supply Chain Management processes which led to irregular expenditure in respect of procurement transactions with a compounded value in excess of R1.7 billion. Within a period of twelve months from 1 March 2015 to 31 March 2016, the new management team of RAL worked tirelessly to resolve historical challenges and thereby, improving the audit opinion from adverse to qualified. This was achieved through leadership stability, strengthened internal controls, strict application of corporate governance principles, compliance with statutory and regulatory frameworks. With the support of the Board of Directors, a number of historical irregular expenditure transactions amounting to about R396 million were condoned, during the year under review. The condonation was made pursuant to forensic investigations being conducted and concluded.



Mr. Maselaganye Petrus Matji
Chief Executive Officer
Roads Agency Limpopo

Given the huge road infrastructure backlog, the management of RAL adopted the approach of embarking on fundraising through strategic partnerships with the private sector. To date additional funds in the region of R274.8 million have been secured from various private sector companies, especially in the mining sector, operating in the Waterberg and Sekhukhune District Municipalities. Further engagements with private sector are ongoing in an effort to raise more funds for road infrastructure projects.Our focus this new financial year will remain on securing capital finance through strategic partnerships with the private sector to build from the R274.8 million that has already been raised. We are bolstered by the commitment demonstrated by our corporate partners whose contribution towards the economic development of local communities and small businesses ensures that the long term benefits of infrastructure development are felt by all who work and live in the province.

We will continue to work hard to address the blight of poorly executed projects that resulted in the numerous Bermuda roads which were hampering the mobility of our people. A forensic investigation was conducted and the responsible contractors and employees have been formally dealt with. Realising the economic potential of communities who, due to policies of the pre-1994 government regime, continue to be excluded from meaningful participation in the province's macro-economy remains at the heart of our Strategic Plan. We have been very busy this year reconstructing bridges and roads destroyed by floods, upgrading busy district roads to facilitate the free flow of daily commuters, and to connect communities to economic hubs in the province's five districts.

Work is well advanced in reducing our road infrastructure delivery backlog of about 20 260 kilometres network of roads. In this regard, 32kms of roads have been resurfaced, 54kms of roads have been rehabilitated, and 2 bridges built. In most instances we have met or surpassed our planned targets, with 19 maintenance projects in progress to date. Some challenges, mostly due to the Agency's need to redress inherited problems and to capacitate itself, still require attention. Notwithstanding these challenges, we are resolute on delivering against our Annual Performance Plan and have our sights set firmly on the four priorities that underpin our organisation – accountability, optimal asset utilisation, economic transformation and sustainability. This would not be possible without the hard work and commitment shown by our employees. Recruiting and retaining qualified people is core to our mission of providing quality and sustainable provincial road infrastructure. We have boosted our in-house technical expertise through the recruitment of highly-qualified engineers, and have effected a number of internal skills-development programmes.

As part of the strategy to reposition RAL as a valuable and reliable role-player in the socio-economic development of Limpopo, a number of communication initiatives have been implemented including the introduction of social media platforms, production of a quarterly newsletter, continued internal and external branding and image building exercises. The Agency expects to build a stronger public image based on tangible deliverables as part of a comprehensive communication drive in the coming months.I wish to express my sincere gratitude to the RAL Board of Directors under the astute leadership of Mr. Matome Ralebipi for the support they have provided over the past financial year. I would also like to appreciate the invaluable support that we received from the Honorable MEC AJD Ndou. Lastly, I would like to extend my appreciation to my fellow executives and the entire RAL staff for their involvement in driving RAL forward. Thank you once more.

MR. MASELAGANYE PETRUS MATJI
CHIEF EXECUTIVE OFFICER

APPROVED ORGANISATIONAL STRUCTURE

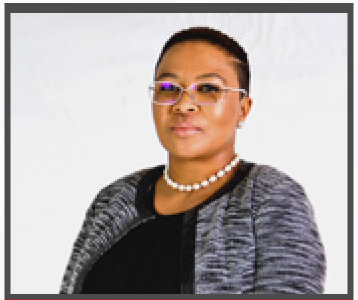
BOARD MEMBERS

Mr MS Ralebipi
(Chairperson)

Mr MP Matji
(CEO)

Ms MPK Tshivhase
(Member)

Ms MH Kekana
(Member)



Ms TC Kekana
(Company Secretary)

Ms WNG Moleko
(Member)

Ms MK Machaba
(Member)

Ms M Boshielo
(Member)

AUDIT AND RISK COMMITTEE

Ms M Mokoka CA(SA)
(Chairperson: Audit & Risk Committee)

Mr Z Samsam CA(SA)
(Independent Committee Member)

Mr GM Maluleke CA(SA)
(Independent Committee Member)


P&A
SILVERLINE CARRIERS
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SILVERLINE
CARRIERS

EXECUTIVE MANAGEMENT

Mr MP Matji
(CEO)

Mr S Pudikabekwa
(Acting Executive Manager: Performance Monitoring & Evaluation)

Ms M Boshielo
(Executive Manager: Corporate Services)

Ms TC Kekana
(Company Secretary)

Batho Mokhothu
(Executive Manager: Engineering)

Mr HF Magopa
(Acting Chief Financial Officer)

Mr S Saimen
(Manager: Internal Audit)

PART B: PERFORMANCE INFORMATION

1. SITUATION ANALYSIS

1.1 SERVICE DELIVERY ENVIRONMENT

The Province currently has 20 260 kilometres(km) of roads, of which 5 928 km is tarred and 14 332 km is gravel. The Agency obtains its revenue from the Provincial Road Maintenance Grant (PRMG), as well as equitable share from the Limpopo Provincial Treasury. Despite the constrained annual allocation of funds, RAL is committed to working tirelessly to eradicate the backlog of gravel or dirt provincial roads in Limpopo. In this regard, RAL has forged strategic Private Public Partnerships (PPPs) in an effort to raise additional funds to supplement its allocation .

Due to budgetary constraints, the roads network in the Limpopo Province has been deteriorating. The lack of available funds for maintanance has led to a disintegration of roads. However, RAL endeavours to execute its mandate within the available financial resources. During the year under review, there were roads that were transferred to the Agency by the Limpopo Department of Public Works Roads and Infrastructure. The Agency has successfully completed the construction of new roads and those roads have had a positive impact on the economy of the Limpopo province in terms of transportation of goods and services

The Board 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.

The other vacant key operational positions, particularly in the engineering unit, are scheduled to be filled.

Once these strategic positions are filled , the Agency will be able to implement some of its projects efficiently and effectively.

1.2 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

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

2. PERFORMANCE INFORMATION BY PROGRAMME/ ACTIVITY / OBJECTIVE

A. LEGISLATIVE AND REGULATORY ANNUAL REPORTING FRAMEWORK

The purpose of this annual performance report is to apprise the shareholder, being the Executive Authority of RAL, the Limpopo Provincial Legislature, Limpopo Provincial Treasury, as well as all stakeholders, of the state of affairs of the entity for the financial year under review and to report on the performance of the entity, as measured against the pre-determined objectives which are set out in the Strategic Plan and Annual Performance Plan (APP) for the 2015/16 financial year.

The accounting authority of a public entity is required, in terms of section 55(1) (d) (i) of the Public Finance Management Act 1 of 1999 (PFMA) to, inter alia, submit an annual report five (5) months after the end of a financial year to the Executive Authority and to the Auditor-General South Africa.

B. PROGRAMME AND SUB-PROGRAMME PLANS

PROGRAMME	SUB-PROGRAMME / STRATEGIC GOAL
1. Administration	Goal 2: To create a culture of good corporate governance
	Goal 4: To create and maintain effective organisational structure
2. Road Infrastructure	Goal 1: To ensure effective road management
	Goal 3: To promote and manage stakeholder relations
	Goal 5: To support employment, growth and development strategy of the province

PROGRAMME 1: ADMINISTRATION

Programme 1: Goal 2. To create a culture of good corporate governance							
Sub-Programme 2.1	**Programme Performance Indicator**	**Annual Target**	**Actual Annual Output**	**Variance**	**Reasons for Variance**	**Planned Interventions**	**Expenditure Per Target**
To comply fully with the applicable legislative requirements, rules, codes and standards. (Legislative). To update the shareholder of developments in all projects quarterly (Shareholder).	Compliance Assessment Report submitted to Board (CEO/Board approval)	4 Assessment Reports	3 Assessment Reports	1 Under-achieved	Limpopo Provincial Treasury has indicated that they do not expect public entities to do the Compliance Checklist during the first quarter as entities would be dealing with the year-end commitments.	None	None, normal operational task.
	Shareholder's Compact Signed	1 Shareholders' Compact Signed	1 Shareholders' Compact Signed	Achieved	None	None	None, normal operational task.
	Communications Strategy submitted to the Board	1	0	1 Under-achieved	The process for developing the strategy started late in the year.	Draft Strategy planned to be finalised and approved in the second quarter of 2016/17FY	None, normal operational task.
	Quarterly Shareholder Report	4 Reports	4 Quarterly Shareholder Reports	Achieved	None	None	None, normal operational task.

PROGRAMME 1: ADMINISTRATION

Programme 1: Goal 2. To create a culture of good corporate governance							
Sub-Programme 2.2	**Programme Performance Indicator**	**Annual Target**	**Actual Annual Output**	**Variance**	**Reasons for Variance**	**Planned Interventions**	**Expenditure Per Target**
To maintain an effective, efficient and transparent system of financial, risk management and internal control (Risk Management)	Risk Management Strategy document submitted to Board.	1	1	Achieved	None	None	None, normal operational task.
	Risk Implementation Plan submitted to Board.	1	1	Achieved	None	None	None, normal operational task.
	Risk Assessment Report submitted to Board.	1 Risk Assessment Report approved by the Board.	1 Risk Assessment Report approved by the Board.	Achieved	None	None	None, normal operational task.
	Quarterly Risk Monitoring reports submitted to Board.	4 Reports	4 Quarterly Risk Monitoring Reports submitted	Achieved	None	None	None, normal operational task.
	Fraud Prevention Plan submitted to Board.	1	1 Fraud Prevention Plan approved by the Board	Achieved	None	None	None, normal operational task.
	Fraud awareness presentation to RAL employees	1	0	1 Under-Achieved	The Agency has been capacitated and the process will be implemented in 2016/17 financial year.	Fraud Awareness presentation will be performed once the Risk Manager is appointed.	None, normal operational task.

PROGRAMME 1: ADMINISTRATION

Programme 1: Goal 2. To create a culture of good corporate governance							
Sub-Programme 2.3	**Programme Performance Indicator**	**Annual Target**	**Actual Annual Output**	**Variance**	**Reasons for Variance**	**Planned Interventions**	**Expenditure Per Target**
Maintain a system of Internal Audit under the control and direction of Audit & Risk Committee (Internal Audit)	Internal Audit Plan aligned to the Risk Assessment Report submitted to Board..	1 Internal Audit Plan	1 Internal Audit Plan developed and approved by the Board	Achieved	None	None	None, normal operational task.
	Quarterly Internal Audit Reports submitted to Board.	4 Internal Audit Reports	Number of cases of irregular expenditure reported.	Achieved	None	None	None, normal operational task.
Sub-Programme 2.4	**Programme Performance Indicator**	**Annual Target**	**Actual Annual Output**	**Variance**	**Reasons for Variance**	**Planned Interventions**	**Expenditure Per Target**
To implement, manage and monitor an effective and efficient asset management policy for roads infrastructure (Asset Management)	A reviewed and updated road infrastructure asset management policy.	1 Road Infrastructure Asset Management Policy	0	1 Under-Achieved	The process to review and update of the road infrastructure asset management policy and other policies started late in the financial year due to limited human capital.	None	None, normal operational task.
	A reviewed and updated road infrastructure Asset Register.	1 Asset Register reviewed and updated	1 Asset Register Reviewed and Updated	Achieved	None	None	None, normal operational task.

Programme 1: Goal 2. To create a culture of good corporate governance

Sub-Programme 2.5	Programme Performance Indicator	Annual Target	Actual Annual Output	Variance	Reasons for Variance	Planned Interventions	Expenditure Per Target
To ensure the improved quality of overall financial management through efficient implementation of approved financial policies. (Financial Management)	Clean Audit Report	1 Report	0	1 Under - Achieved	The Audit Report of RAL improved from adverse to qualified. RAL is employing all its efforts to deal with irregular expenditure and Property Plant and Equipment in order to achieve a clean audit.	RAL is employing all its endeavours to address historical challenges that caused the adverse audit opinion.	None, normal operational task.
	Number of irregular expenditure cases reported	0	1	1 Under - Achieved	A sole provider form was not completed and signed by the Accounting Officer. The investigation has been completed and the expenditure submitted to the Board for Condonement.	The sole provider form is requested by SCM unit from each end user each time a sole provider is utilised.	None, normal operational task.

Sub-Programme 2.6	Programme Performance Indicator	Annual Target	Actual Annual Output	Variance	Reasons for Variance	Planned Interventions	Expenditure Per Target
Ensure appropriate management of RAL budget of capital projects, operational expenditure over MTEF. (Financial Management)	Quarterly Report on percentage expenditure in respect of capital projects, operational expenditure over MTEF submitted to the Board.	4 Reports	3 Reports	1 Under - Achieved	Limited human resource capacity.	Reports will be submitted to the Board on a quarterly basis.	None, normal operational task.

PROGRAMME 1: ADMINISTRATION

Programme 1: Goal 2. To create a culture of good corporate governance

Sub-Programme 2.7	Programme Performance Indicator	Annual Target	Actual Annual Output	Variance	Reasons for Variance	Planned Interventions	Expenditure Per Target
Review and update delegations (Financial Management)	RAL Delegations updated and reviewed annually.	1 Report (An Updated Delegations of Authority document)	1 Delegations of Authority Updated	Achieved	None	None	None, normal operational task.
Sub-Programme 2.8	**Programme Performance Indicator**	**Annual Target**	**Actual Annual Output**	**Variance**	**Reasons for Variance**	**Planned Interventions**	**Expenditure Per Target**
To procure goods and services accordingly to RAL BBBEE targets (Procurement)	Quarterly reports of BBBEE targets submitted to the Board.	4 Reports	4 Reports submitted	Achieved	None	None	None, normal operational task.
Sub-Programme 2.9	**Programme Performance Indicator**	**Annual Target**	**Actual Annual Output**	**Variance**	**Reasons for Variance**	**Planned Interventions**	**Expenditure Per Target**
To ensure compliance with SCM Policies (Procurement)	Quarterly Report of SCM Compliance submission to CEO.	4 Reports	2 Reports	2 under -Achieved	In the second quarter of 2015, there was instability at SCM due to the suspension of the Manager: SCM and Chief Financial Officer. The unit has been stabilised and there should be an improvement in 2016/17 financial year.	SCM Compliance Reports to be submitted to CEO by Senior Manager: SCM on a quarterly basis.	None, normal operational task.
Sub-Programme 2.4	**Programme Performance Indicator**	**Annual Target**	**Actual Annual Output**	**Variance**	**Reasons for Variance**	**Planned Interventions**	**Expenditure Per Target**
Review and update SCM Policies and Procedures (Procurement)	SCM Policy updated and reviewed annually.	1 Annual Update and Review	0	1 Under-Achieved	RAL adopted the Treasury transversal SCM policies.	SCM Policy to be reviewed and updated during the Policy Review Session planned for the Third Quarter.	None, normal operational task.
	SCM procedures updated and reviewed annually.	1 Report	0	1 Under-Achieved	RAL adopted the Treasury transversal SCM policies.	SCM Procedures to be reviewed and updated during the Policy Review Session planned for the Third Quarter.	None, normal operational task.

Programme 1: Goal 4: To create and maintain an effective and efficient organisational structure

Sub-Programme 4.1	Programme Performance Indicator	Annual Target	Actual Annual Output	Variance	Reasons for Variance	Planned Interventions	Expenditure Per Target
To implement and maintain COBIT as a control framework. (Information Management)	COBIT implementation Plan submitted to Board.	1 COBIT Plan	0	1 Under- Achieved	Due to the organisational size of RAL and cost implications, the whole COBIT framework could not be adopted.	Identified elements of COBIT will be implement-ed in the 2016/17 financial year.	None, normal operational task.
	Number of Quarterly Reports on implementa-tion of COBIT submitted to CEO.	4 Reports	0	4 Under-Achieved	Due to the organisational size of RAL and cost implications, the whole COBIT framework could not be adopted. We have identified elements of COBIT that can be implemented in the 2016/17 financial year.	Reports on implementation of COBIT to be submitted to CEO once the COBIT plan is approved.	None, normal operational task.
Sub-Programme 4.1	**Programme Performance Indicator**	**Annual Target**	**Actual Annual Output**	**Variance**	**Reasons for Variance**	**Planned Interventions**	**Expenditure Per Target**
To review Organisational Structure (Human Resources)	Updated Organisational Structure.	1 Updated Organisa-tional Structure.	1 Updated Organisational Structure.	Achieved	none	none	None, normal operational task.
Sub-Programme 4.1	**Programme Performance Indicator**	**Annual Target**	**Actual Annual Output**	**Variance**	**Reasons for Variance**	**Planned Interventions**	**Expenditure Per Target**
To ensure Staff Development (Human Resources)	Approved Human Resource Plan.	1 HR Plan	1 HR Plan approved by the Board	Achieved	none	none	None, normal operational task.

PROGRAMME 2: TRANSPORT INFRASTRUCTURE (ROADS)

Programme 2: Goal 1: To ensure effective road management							
Sub-Programme 1.1	**Programme Performance Indicator**	**Annual Target**	**Actual Annual Output**	**Variance**	**Reasons for Variance**	**Planned Interventions**	**Expenditure Per Target**
To identify, prioritise, plan and design sustainable road infrastructure projects on an annual basis (Planning and Design)	Number of projects with approved budgets.	48	52	-4 Target Exceeded	Additional projects were transferred with budgets from LDPWRI towards the end of the financial year.	none	None, normal operational task.
	RAL approved Project List.	1	1	Achieved	none	none	None, normal operational task.
	Developing of Project Designs.	19	4 (T535C, T349D, T757 & T758)	15 Under- Achieved	Designs of other projects were completed the year before 2015/16.	none	None, normal operational task
	Signed Agreements with Service Providers.	19	55	-36 Target Exceeded	Additional projects were transferred from LDPWRI towards the end of the financial year.	none	None, normal operational task

PROGRAMME 2: TRANSPORT INFRASTRUCTURE (ROADS)

Programme 2: Goal 1: To ensure effective road management

Sub-Programme 1	Programme Performance Indicator	Annual Target	Actual Annual Output	Variance	Reasons for Variance	Planned Interventions	Expenditure Per Target
To implement and manage contracts for upgrading and maintenance on an annual basis according to the protocol of supervision and SHE Contractor's Compliance Pack (Construction & Operations)	Number of km of gravel roads surfaced	30	32.96	-2.96 Target Exceeded	Performing Contracts accelerated.	none	None, normal operational task.
	Number of lane km of surfaced roads rehabilitated	47	54.11	none	Deterioration of the roads condition necessitated an increase in rehabilitation and decrease in resealingworks.	none	None, normal operational task.
	Number of m2 of surfaced resealed	1 598 000m²	142 704 m²	1 456 496 m²	Further deterioration of roads neccessitated rehabilitation instead of reseal.	Proper planning will be done.	142 694 m²
	Number of bridges completed	3	2	1 Under- Achieved	Re-tendering for Ga-Ntata bridges resulted in a schedule shift to complete 2016/17 FY.	none	None, normal operational task
Sub-Programme 1.2	**Programme Performance Indicator**	**Annual Target**	**Actual Annual Output**	**Variance**	**Reasons for Variance**	**Planned Interventions**	**Expenditure Per Target**
To manage, control and protect the use of road reserves and building restriction areas continuously (Land Use Management)	Number of applications processed (in compliance with RAL Standards)	597	411 applications	186 Under-Achieved	This is a demand driven i.e. RAL only report on the received and processed number of applications	none	None, normal operational task.

PROGRAMME 2: TRANSPORT INFRASTRUCTURE (ROADS)

Programme 2: Goal 1: To ensure effective road management

Sub-Programme 1.4	Programme Performance Indicator	Annual Target	Actual Annual Output	Variance	Reasons for Variance	Planned Interventions	Expenditure Per Target
To ensure compliance to safety, health and environmental management legislation (SHE)	Number of SHE Compliance Reports submitted (In compliance with RAL standards)	4 Reports	4 Reports	none	None	None	None, normal operational task.

Programme 2: Goal 3: To promote and manage stakeholder relations

Sub-Programme 3.1	Programme Performance Indicator	Annual Target	Actual Annual Output	Variance	Reasons for Variance	Planned Interventions	Expenditure Per Target
To consult stakeholders (traditional authorities, municipalities, communities) on all planned projects (Stakeholders)	Quarterly Stakeholder Consultation Reports	4 Reports	4 Reports	Achieved	none	none	None, normal operational task.

PROGRAMME 2: TRANSPORT INFRASTRUCTURE (ROADS)

Programme 2: Goal 5: To support employment, growth and development strategy of the province							
Sub-Programme 5.1	**Programme Performance Indicator**	**Annual Target**	**Actual Annual Output**	**Variance**	**Reasons for Variance**	**Planned Interventions**	**Expenditure Per Target**
To create job opportunities in accordance with EPWP guidelines on all contracts annually. (Job Creation)	Number of FTE (Full Time Equivalent) Jobs created	397	437	-40 Target Exceeded	The number of jobs depends on projects implemented. There were additional projects that weretransferred to RAL from LDPWRI thatcaused the incline.	none	R 20 211 922.23
	Amount (Rands) spent on employing labour.	R21 628 000	R20 211 922.23	R1 416 077.80	Labourers were not yet appointed in some additional projects transferred to RAL by the shareholder	none	R 20 211 922.23

PROGRAMME 2: TRANSPORT INFRASTRUCTURE (ROADS)

Programme 2: Goal 5: To support employment, growth and development strategy of the province							
Sub-Programme 5.2	**Programme Performance Indicator**	**Annual Target**	**Actual Annual Output**	**Variance**	**Reasons for Variance**	**Planned Interventions**	**Expenditure Per Target**
To promote the development of SMME's on all contracts annually (Empowerment)	Amount paid to SMMEs Contractors and Sub-Contractors	R88 000 000	R109 227 408	-R21 227 408 Target Exceeded	The amount to paid to SMMEs depends on projects implemented. There were additional projects that were transferred to RAL from LDPWRI that caused the overexpenditure.	None	R43 030 378.61
Sub-Programme 5.2	**Programme Performance Indicator**	**Annual Target**	**Actual Annual Output**	**Variance**	**Reasons for Variance**	**Planned Interventions**	**Expenditure Per Target**
To ensure training of locally based workers in all contracts on an ongoing basis (Training)	Number of local workers trained.	360	61	299 Under-Achieved	Training not yet conducted in most of the projects that are under implementation.	Training in most projects is planned for commenceme nt during Q1 of 2016/17 FY	R135 330.60

ANNUAL REPORT : OUTPUT

RAL No.	DISTRICT	ACTION	DESCRIPTION	CONTRACTOR	TOTAL PLANNED km UPGRADE	LANE km REHAB	m^2 RESEALED	BRIDGES	km UPGRADE
T653	Capricorn	Upgrading of road (Gravel to tar)	Moletji (D3332) to Magodi (R521)	Unity Construction	8,30			1	
T694	Capricorn	Preventative Maintenance	Westenburg to Kalkspruit (D19)	TTR Building Construction	0,00				
T704	Capricorn	Preventative Maintenance	R71 to Dalmada	Batlagae Investments		7,40	25 900		
T591	Mopani	Upgrading of road (Gravel to tar)	Giyani to Nkuri to Malonga (20km)	KPMM	22,80			1	6,00
T646	Mopani	Upgrading of road (Gravel to tar)	Reconstruction of two flood damaged bridges in Kga-Ntata(road D3213 & D3212)	Axton Matrix				2	
T649	Vhembe	Upgrading of road (Gravel to tar)	Replace bridge NB180 at Majosi	Makali	0,20			1	
T657	Mopani	Upgrading of road (Gravel to tar)	Babangu to Ndhengeza to Noblehoek to Maphalle	4 Arrows/Ruwacon JV	26,00				
T679B	Mopani	Preventative Maintenance	Nkowakowa to Letsitele (PUDP 683)	PGN Civils/Golden Rewards 250 cc		8,80			
T681	Mopani	Preventative Maintenance	Metz to Burgersdorp (PUDP 669)	Makasana		49,76	174 160		
T687	Mopani	Preventative Maintenance	Giyani to Malamulele	RCE Holdings	0,00				
T699	Mopani	Preventative Maintenance	Nkowakowa to Letsitele	David Diva Construction cc	0,00	9,35			
T535C	Sekhukhune	Upgrading	GaMasha to Mampuru to Tukakgomo to Makgabane	Lonerock Construction	23,70				
T601	Sekhukhune	Upgrading of road (Gravel to tar)	Steelpoort road (from road P169/1 & D212 to road P33/2)	Lonerock Construction		12,00			
T663	Sekhukhune	Preventative Maintenance	Groblersdal to Mpumalanga Border (PUDP 664)	Gorogang		13,40	156 800		
T666	Sekhukhune	Preventative Maintenance	Marble Hall to Groblersdal (PUDP 671)	Gorogang		15,50			
T675	Sekhukhune	Preventative Maintenance	Lebowakgomo Zone A along old Government Offices (PUDP 673)	KTS		4,00			
T695	Sekhukhune	Preventative Maintenance	Steelpoort to Jane Furse	Batsekgadi Community Projects	0,00		112 000		
T697	Sekhukhune	Preventative Maintenance	Arabie to Marble Hall (D2534)	Ludonga's Construction cc	0,00	15,40	27 380		
T349D	Vhembe	Upgrading	Matsakala to Altein to Shangoni Kruger National Park Gate	Edwin					
T637A	Vhembe	Upgrading of road (Gravel to tar)	Bokisi (P99/1) to Mashamba to Tshitale to Morebeng (Soekmekaar, P54/1))	Makali	4,50			1	
T652	Vhembe	Upgrading of road (Gravel to tar)	Makhuya to Masisi	4 Arrows/Ruwacon JV	25,20			2	
T658	Vhembe	Preventative Maintenance	Bandelierkop to Vuwani (PUDP 665)	Kgatlapa		7,00			
T659	Vhembe	Preventative Maintenance	Venetia Mine to Musina (PUDP 686)	Bankuna		7,00	6 314		
T661	Vhembe	Preventative Maintenance	Makonde to Mutale (PUDP 688)	Kgatlapa		2,50			
T706	Vhembe	Preventative Maintenance	Bandelierkop to Vleifontein	Inyatsi Construction Ltd		2,50			
T713	Vhembe	Preventative Maintenance	Muledane to Tshwinga	Mkhacani Construction cc		10,40	13 200		
T547	Waterberg	Upgrading of road (Gravel to tar)	Harry Oppenheimer (N11) to Pudiyakgopa to Bakenberg	Axton Matrix	17,20				
T627	Waterberg	Upgrading of road (Gravel to tar)	Pienaarsriver/Zwartkop (D1944) to Rapotokwane: Witlaagte	Selby Construction	16,50			2	15,65
T650	Waterberg	Upgrading of road (Gravel to tar)	Replace bridge 346 over Crocodile River	Civilcon Pele Kaofela JV	0,856			1	
T670	Waterberg	Preventative Maintenance	Modimolle to N1 (PUDP 696)	Mohwibidu		5,72			
T671	Waterberg	Preventative Maintenance	Bela-Bela to Koedoeskop (PUDP 677)	Fantique		16,00			
T682	Waterberg	Preventative Maintenance	Tomburke to Alldays (D887)	Mmaeshibe General Trade		22,80	72 520		
T703	Waterberg	Preventative Maintenance	Crecy to Tuinplaas (D943)	Nduvho Construction cc					
T755A	Waterberg	Rehabilitation	Repair of flood damaged infrastructure	Kamawi Projects/ Batsekgadi JV					
T755B	Waterberg	Flood Damage	Repair of flood damaged infrastructure	Mafafu Building Construction cc		4,00			

TS FOR 2015/16

OUTPUT (km, m² or No. of) AS ON 1 April 2015			AS ON 31 MARCH 2016				TOTAL FOR 2015/2016			
LANE km REHAB	m² RESEALED	BRIDGES	km UPGRADE	LANE km REHAB	m² RESEALED	BRIDGES	km UPGRADE	LANE km REHAB	m² RESEALED	BRIDGES
							0,00	0,00	0	0,00
							0,00	0,00	0	0,00
				7,40			0,00	7,40	0	0,00
			22,80			1	16,80	0,00	0	1,00
							0,00	0,00	0	0,00
		1,0	0,20			1	0,20	0,00	0	0,00
							0,00	0,00	0	0,00
				8,80			0,00	8,80	0	0,00
11,74	41 090			12,00	42 280		0,00	0,26	1 190	0,00
				4,80			0,00	4,80	0	0,00
				9,352			0,00	9,35	0	0,00
							0,00	0,00	0	0,00
5,10				12,00			0,00	6,90	0	0,00
12,00	154 000			13,40	156 800		0,00	1,40	2 800	0,00
11,40				15,50			0,00	4,10	0	0,00
4,00				4,00			0,00	0,00	0	0,00
					66 304		0,00	0,00	66 304	0,00
				7,02			0,00	7,02	0	0,00
							0,00	0,00	0	0,00
		1				1	0,00	0,00	0	0,00
							0,00	0,00	0	0,00
							0,00	0,00	0	0,00
7,00	6 314			7,00	6 314		0,00	0,00	0	0,00
							0,00	0,00	0	0,00
							0,00	0,00	0	0,00
0,63				10,40	13 200		0,00	9,77	13 200	0,00
			15,1				15,10	0,00	0	0,00
		2	15,6			2	0,00	0,00	0	0,00
			0,856			1	0,86	0,00	0	1,00
1,60				1,60			0,00	0,00	0	0,00
13,00	41 000			13,00	41 000		0,00	0,00	0	0,00
				10,6	59 200		0,00	10,60	59 200	0,00
							0,00	0,00	0	0,00
							0,00	0,00	0	0,00
4,00				4,00			0,00	0,00	0	0,00
						TOTAL :	32,96	70,40	142 694	2,00

SUMMARY

	DISTRICT	km UPGRADE	LANE km REHAB	m² RESEALED	BRIDGES
TOTALS PER DISTRICT	Capricorn	0,00	7,40	0	0
	Mopani	16,80	23,21	33 750	1
	Sekhukhune	0,00	12,40	17 200	0
	Vhembe	0,20	0,00	0	0
	Waterberg	15,96	10,60	59 200	1
	TOTAL :	32,96	53,61	110 150	2

4 REVENUE COLLECTION

Sources of revenue	Budget	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000
Interest	3 044	5 594	2 550
Application for Access Roads	340	412	72
Application for Billboards	12	6	(6)
Application for Land Development	30	58	28
Rental Billboards	682	706	24
Tender Document	1 371	1 428	57
Total	**5 479**	**8 204**	**2 725**

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

	2014/15			2015/16		
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	455 156	441 581	13 575	231 579	342 228	(110 649)
Preventative maintenance	470 424	369 650	100 774	414 861	190 366	224 495
Bridges	117 109	112 773	4 336	70 154	51 234	18 920
Total Capital Projects	**1 042 689**	**924 004** **89% of the total allocation**	**118 685**	**716 594**	**583 828**	**132 766**

PART C: GOVERNANCE

1. CORPORATE GOVERNANCE

The Board of Directors, with the assistance of the company secretary is reponsible for setting the right ethical tone conducive to corporate governance.

2. PORTFOLIO COMMITTEES

Roads Agency Limpopo is, from time-to-time, expected to account to the Portfolio Committee on Public Works, Roads and Infrastructure regarding the delivery of its mandate as stipulated in RAL's founding Act.

3. SHAREHOLDERS ENGAGEMENT

The Member of Executive Council responsible for the Limpopo Provincial Department of Public Works, Roads and Infrastructure is the sole shareholder of the entity, on behalf of the Limpopo Provincial Government. On an annual basis, a Shareholders' Compact is concluded between the shareholder and the entity in terms of which key deliverables are outlined, in conformity with RAL's constitutive Act, Annual Performance Plan and Strategic Plan. The shareholder holds the Board of Directors accountable for the implementation of the pre-determined strategic objectives set out in the Annual Performance Plan. In this regard, RAL submits Performance Reports both on a quarterly and annual basis. The quarterly performance reporting, as well as annual reporting requirement was complied with during the period under review.

4. THE ACCOUNTING AUTHORITY / BOARD

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 RAL unless specifically authorized 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 fiduciary duty to act in the best interests of RAL, to act with due care and diligence in discharging their duties and to avoid conflicts of interest and declare any such conflicts 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 derive personal benefits.

The Board will base its decisions on policy, strategy, facts, analysis and not on prejudice.

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. M.S. Ralebipi	Board Chairperson and Chairperson of Nominations Committee	1 April 2014		BCom Accounting. Higher Diploma in Computer Auditing. CRISC. Certificate in Strategic Leadership	Finance and Auditing	Roads Agency Limpopo	Nominations Committee	9 Board Meetings 1 Nominations Committee Meeting 1 AGM 1 Strategic Planning session
Ms. M.J. Boshielo	Board Member and Chairperson of Audit & Risk Committee	1 April 2014	31 December 2015	MSC in Financial Economics Post Graduate Diploma in Economics. Bachelor of Arts. Executive Development Management.	Financial Managment	Roads Agency Limpopo	Audit & Risk Committee Contracts & Planning Committee	8 Board Meetings 4 Audit & Risk Committee Meetings 7 Contracts & Planning Committee Meetings 1 AGM 1 Strategic Planning Session
Ms. M.K. Machaba	Board Member	1 April 2014	31 March 2016	Diploma (Civil Engineering). B-Tech (Civil Engineering). Management Development Programme. Infrastructure Delivery Management Programme.	Civil Engineering	Roads Agency Limpopo	Human Resources & Remuneration Committee Audit & Risk Committee	5 Board Meetings 3 Human Resources & Remuneration Committee Meetings 2 Audit & Risk Committee Meetings 1 AGM 1 Strategic Planning Session
Mr. M.P.K. Tshivhase	Board Member	22 May 2015		B. Iuris	Law	Roads Agency Limpopo	Audit & Risk Committee Human Resources & Remuneration Committee	7 Board Meetings 4 Human Resources & Remuneration Committee Meetings 3 Audit & Risk Committee Meetings 1 AGM 1 Strategic Planning Session
Ms. W.N.G. Moleko	Board Member and Chairperson of Human Resources & Remuneration Committee	1 April 2014		BA Education. BA (Hons). Master of Arts. Monitoring and Evaluation Course. Technology in Distance Education and E-learning Course. Post-Grad Diploma in Telecommunications and Information Policy Qualifications.	**Human Resources and Education**	Roads Agency Limpopo	Human Resources & Remuneration Committee Contracts & Planning Committee Nominations Committee	5 Board Meetings 5 Human Resources & Remuneration Committee Meetings 5 Contracts & Planning Committee Meetings 1 Nominations Committee Meeting 1 AGM 1 Strategic Planning Session

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
Ms. M.H. Kekana	Board Member and Chairperson of Contracts and Planning Committee	1 April 2014		Diploma (Building Science). B-Tech (Quantity Surveying). Project Management Certificate. Project Management Professional Preparation Workshop. Microsoft Project Skills. Management Development Programme.	Quantity Surveying, and Monitoring and Evaluation	Roads Agency Limpopo	Contracts & Planning	6 Board Meetings 8 Contracts & Planning Committee Meetings 1 AGM 1 Strategic Planning Session
Mr. M.P. Matji	Chief Executive Officer Ex-Officio Board Member	1 March 2015		MBL (Corporate Strategy). Msc (Engineering Sciences) (Civil) Bsc (Hons) (Computational Fluid Dynamics). Bsc (Applied Maths & Physics). MAP. Diploma: Business Management Pr.Nat.Sci. Pr.CPM.	Business Leadership Infrastructure Planning and Finance	Roads Agency Limpopo		8 Board Meetings 3 Audit & Risk Committee Meetings 3 Human Resources & Remuneration Committee Meetings 7 Contracts & Planning Committee Meetings 1 AGM 1 Strategic Planning Session
Ms. M.G. Mokoka	Chairperson of Audit & Risk Committee	12 November 2015		BCom (Accounting). BCom (Hons). Postgraduate Diploma in Management (Financial Accounting), Postgraduate Diploma in Auditing.	Chartered Accountant specialisi ng in financial management	Roads Agency Limpopo	Audit & Risk Committee	1 Audit & Risk Committee Meeting
Mr. G.M. Maluleke	Member of Audit & Risk Committee	12 November 2015		BCompt. BCompt (Hons). Certificate in Mining Taxation, Certificate in Theory Accountancy, Diploma in Insolvency Law & Practice.	Chartered Accountant specialising in financial management	Roads Agency Limpopo	Audit & Risk Committee	2 Audit & Risk Committee Meetings
Mr. Z. Samsam	Member of Audit & Risk Committee	12 November 2015		BCom. Postgraduate Diploma in Accountancy. Advanced Certificate in Auditing.	Chartered Accountant specialising in financial management	Roads Agency Limpopo	Audit & Risk Committee	2 Audit & Risk Committee Meetings

REMUNERATION OF THE BOARD

Name	Remuneration	Other allowance	Other re-imbursements	Total
Mr. MS Ralebipi	914 000	-	-	914 000
Ms. WNG Moleko	351 000	-	-	351 000
Ms. MH Kekana	712 000	-	-	712 000
Mr. MPK Tshivhase	317 000	-	-	317 000
Ms. M. Mokoka	71 000	-	-	71 000
Mr. Z, Samsam	82 000	-	-	82 000
Mr. M.G. Maluleke	86 000	-	-	86 000

COMMITTEES OF THE BOARD

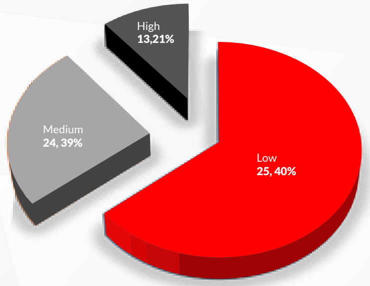
Committee	No. of meetings held	No. of members	Names of members
Audit and Risk	6 Meetings	3 members (from 1 April 2015 to 11 November 2015) 4 Members (from 12 November 2015 to date)	Ms. M.J. Boshielo, Mr. M.P.K. Tshivhase, Ms. M.K. Machaba (from 1 April 2015 to 11 November 2015) Ms. M.G. Mokoka, Mr. Z. Samsam, Mr. G.M. Maluleke, Ms. M.J. Boshielo (from 12 November 2015 to date)
Human Resources and Remuneration	5 Meetings	3 Members (from 16 March 2016 to date, there were only two members)	Ms W.N.G. Moleko, Ms M.K. Machaba, Mr. M.P.K. Tshivhase
Contracts and Planning	9 Meetings	3 Members (from 16 March 2016 to date, there were only two members)	Ms. M.H. Kekana, Ms. M.J. Boshielo, Ms. W.N.G. Moleko.
Nominations Committee	1 Meeting	2 members	Mr. M.S. Ralebipi, Ms. W.N.G. Moleko.

5. RISK MANAGEMENT

The Internal Audit Unit performed the risk management function for the entity. A Risk Management Policy and Plan were approved by the Board, on reccomendation of the Audit and Risk Comittee. The Internal Audit Unit submits risk mitigation reports on a quaterly basis for purposes of monitoring risk.

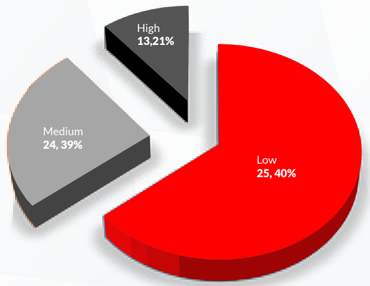
RISK RATING

Sixty-two (62) risks were identified, of which thirteen (13) had a high residual rating, twenty-three (23) had a medium and twenty-six (26) had a low rating.



IMPLEMENTATION

As at 31 March 2016, sixty-two (62) risks identified, nineteen (19) mitigating controls were implemented. Forty-one (41) mitigating controls were still in the process of being implemented while two (2) mitigating controls were not yet implemented.



6 INTERNAL CONTROL UNIT

The Internal Control Unit was established in October 2015 with the appointment of Manager : Pro-Active Assurance. To meet its responsibility with respect to providing reliable financial information, Roads Agency Limpopo maintains financial and operational systems of internal controls that are tested on a Proactive Assurance basis. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with prescribed legislations and regulations, that the assets are adequately safeguarded against material loss, unauthorised acquisition, use, or disposal and that those transactions are properly authorised and recorded.

7 RELATIONSHIP BETWEEN INTERNAL AUDIT AND AUDIT & RISK COMMITTEE

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:

    i) the internal audit performance goals are achieved;
    ii) risks are identified;
    iii) specific issues requiring attention are highlighted

8 COMPLIANCE WITH LAWS AND REGULATIONS

Crucial pieces of legislation that govern and regulate the Agency's operations are, inter alia, the Public Finance Management Act 1 of 1999, the Companies Act 71 of 2008 and the Limpopo Province Roads Agency Proprietary Limited and Provincial Roads Act 7 of 1998, as amended, Preferential Procurement Policy Framework Act 5 of 2000, Construction Industry Development Act 38 of 2000, National Enviromental Management Act 107 of 1998. The regulatory framework comprises the King III Codes, Treasury Regulations and Instruction Notes, and the Protocol on Governance in the Public Sector. RAL has the responsibility to comply with all applicable laws and regulations.

9 FRAUD AND CORRUPTION

RAL has adopted a Fraud Prevention and Anti Corruption Policy and Plan. In addition a Fraud Prevention Hotline is in place and functional.

10 MINIMISING CONFLICT OF INTEREST

The Board of Directors approved a Conflict of Interest Policy in its sitting held on 11th November 2015, in terms of which all employees of Roads Agency Limpopo are required to complete the declaration of interest forms, within which document financial interests have to be disclosed. 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, approving all policies before implementation, including ensuring that management complies with relevant laws and regulations.

12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

RAL ensures minimal adverse impact on the environment and minimal Health and Safety issues by protecting the environment and the communities affected by its operations. In this regard project implementation is executed in conformity with all environmental, safety and health prescripts. To this effect, the entity employs all its endeavours to ensure that all requisite authorisations(permits and licences) are obtained from stakeholder departments.

The major challenge during execution of projects is the landownership disputes of borrow pits 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 Board of Directors has appointed Ms Tebogo Kekana, an admitted attorney, as the Company Secretary with effect from 1 June 2015.

14. SOCIAL RESPONSIBILITY

As part of its Corporate Social Investment Strategy, RAL empowers aspirant civil engineers from impoverished backgrounds by awarding them bursaries to further their studies with institutions of higher learning in the civil engineering and road infrastructure construction disciplines. Upon completion of their studies, engineering graduates are offered experiential training at the workplace to prepare them with practical workplace skills.

RAL also offer its employees bursaries to further their studies in various fields of study that contribute to the collective execution of the mandate of the agency as part of human resources training and development.

15. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2016. The committee has adopted appropriate formal terms of reference as outlined in the Audit and Risk Committee Charter. The Committee has discharged its affairs in conformity with this charter and has discharged all its responsibilities as delegated to it by the Board 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 and
  - specific issues requiring attention are highlighted;

The Audit and Risk Committee consisted of the members listed hereunder. Six meetings were held during the 2015/16 financial year. The Audit and Risk Committee Charter requires that the committee meet at least twice per annum. The committee comprises three independent non- executive directors who are not Board Members and who were appointed on 12th November 2015.

Name of member	Number of meetings attended
Ms. M.G. Mokoka Independent Chairperson: Audit & Risk Committee	1
Mr. G.M. Maluleke Independent Audit & Risk Committee Member	2
Mr. Z. Samsam Independent Audit & Risk Committee Member	2
Ms. M.J. Boshielo Member of Audit & Risk Committee & Board Member Member of Audit & Risk	4
Mr. M.P.K Tshivhase Member of Audit & Risk Committee (from 22 May 2015 to 11 November 2015) & Board Member	3
Ms. M.K. Machaba Member of Audit & Risk Committee (from 1 April 2014 to 11 November 2015) & Board Member	2

15. AUDIT AND RISK COMMITTEE REPORT

Audit and Risk Committee Responsibility

The Audit and Risk Committee reports to have adopted appropriate formal terms of reference in our charter in line with the requirements of section 55(1) (a) of the PFMA and Treasury Regulation 27.1. We further report that we have conducted our affairs in compliance with the Audit and Risk Committee Charter.

Effectiveness of Internal Controls

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital is efficiently managed. In line with the PFMA and the King III Code on Corporate Governance requirements, Internal Audit provides the Audit and Risk Committee and management with assurance that the internal controls are appropriate and and effective. This is achieved by means of the risk management processes, as well as the identification of corrective actions and suggested enhancements to the controls and processes. Minor weaknesses, in particular around the procurement processes and control of property, plant and equipment have been reported from the reports of the Internal Audit function and the Auditor General. Management continues to address these findings as raised by these assurance units., it was noted that no significant or material non-compliance with prescribed policies and procedures has been reported.

Audit and Risk Committee ensures that the 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.

Evaluation of Annual Financial Statements

The Audit and Risk Committee has:

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

The Audit and Risk Committee concurs and accepts the Auditor General 's conclusion on the annual financial statements. Also, it has engaged management on the processes that must be undertaken to improve the management processes to ensure better audit outcomes in the future.

Internal Audit

The Audit and Risk Committee has:

- Approved the annual internal audit plan and programme;
- Received and reviewed internal audit reports concerning the effectiveness and adequacy of the internal control environment, systems and processes;
- Reviewed the adequacy and appropriateness of management's corrective actions and implementation progress of such action plans; and
- Reviewed the internal audit function capacity and made recommendations.

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Roads Agency Limpopo.

Risk management

The Audit and Risk Committee has:

- Reviewed the compliance framework and the risk management framework;
- Reviewed the RAL's strategic, operational, fraud and IT risks;
- Reviewed and monitored the risk management processes and ensured that management implements appropriate risk management mitigation strategies

Auditor General of South Africa

We have met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

....
Ms. M.Mokoka CA (SA)
Chairperson of the Audit and Risk Committee
Roads Agency Limpopo (SOC) Ltd

PART D: HUMAN RESOURCE MANAGEMENT

The Board, with the expertise of the newly constituted Audit & Risk Committee, has employed all its endeavors in strengthening internal controls to optimise its oversight function.

Resolution of AGSA's audit findings particularly as relates to property, plant & equipment and irregular expenditure, was the primary focus of the RAL management team.

RAL leadership (Board & CEO) regard the employees of RAL as its necessary Intellectual Capital charged with the task of executing the strategy of the entity. RAL will conduct a skills audit in order to idenitfy gaps in its skills base and provide corrective training and development to ensure that employees are equiped with necessary skills and to create an enabling learning environment by partnering with Construction Seta and other service providers to train RAL staff.

RAL also encourages and supports all staff to upgrade their qualifications and make RAL a learning Organisation which strives for excellence. The CEO encourages staff to register with professional organisations for the purposes of continuous professional development and for ethical considerations.

1 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)	% of personnel expenditure to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Engineering	-	24 262	46.99	41	591
Corporate Services	-	7 939	15.38	24	330
Finance	-	9 391	18.20	17	552
Information Technology	-	2 845	5.51	05	569
CEO's Office	-	7 190	13.92	10	719

Level	Personnel Expenditure (R'000)	% of personnel expenditure to total personnel cost (R'000)	No. of Employees	Average personnel cost per employee (R'000)
Top Management	3 750	7.26	3	1 250
Senior Management	5 760	11.15	5	1 152
Professional qualified	24 562	47.57	26	944
Skilled	10 930	21.17	22	496
Semi-skilled	5 351	10.36	21	254
Unskilled	1 274	2.46	20	63
Total	51 627	100	97	532

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	51 627	466	0.90	56	8 321

Programme//activity/ objective	2014/2015 No. of Employees	2015/2016 Approved Posts	2015/2016 No. of Employees	2015/2016 Vacancies	% of vacancies
Employment and Vacancies	104	112	97	47	41.96%

Programme//activity/ objective	2014/2015 No. of Employees	2015/2016 Approved Posts	2015/2016 No. of Employees	2015/2016 Vacancies	% of vacancies
Top Management	2	7	3	4	57
Senior Management	4	9	5	4	44
Professional qualified	24	52	26	26	50
Skilled	19	31	22	9	29
Semi-skilled	29	26	21	5	19
Unskilled	4	20	20	0	0
Total	82	145	97	48	33

Salary Band	Employment at beginning of period	Appointments	Terminations	2015/2016 Vacancies	Employment at end of period
Top Management	1	1	1	4	1
Senior Management	4	0	0	4	4
Professional qualified	24	0	0	26	24
Skilled	19	0	2	9	17
Semi-skilled	20	9	6	5	23
Unskilled	4	0	0	0	4
Total	72	10	9	48	73

Employment Changes

Reasons for employee leaving

Reason	Number	% of total no. of staff leaving
Death	0	0
Resignation	4	40
Dismissal	2	20
Retirement	2	20
Ill-health	0	0
Expiry of contract	5	0
Other	0	0
Total	8	80

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Written Warning	0
Final Written warning	0
Dismissal	2

2 EMPLOYMENT EQUITY

Equity Target and Employment Equity Status

Level	Male							
	African		Colored		Indian		White	
Salary Band	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	2	0	0	0	0	0	1
Senior Management	4	3	0	0	0	0	1	0
Professional qualified	15	15	0	1	1	1	1	1
Skilled	7	6	0	0	0	0	0	0
Semi-skilled	8	14	0	0	0	0	0	0
Unskilled	10	2	0	0	0	0	0	0
Total	**46**	**42**	**0**	**1**	**1**	**1**	**2**	**2**

Level	Female							
	African		Colored		Indian		White	
Salary Band	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	0	0	0	0	0	1
Senior Management	0	2	0	0	0	0	1	0
Professional qualified	9	9	0	0	0	0	0	0
Skilled	15	14	0	0	0	0	0	0
Semi-skilled	11	13	2	2	0	0	0	0
Unskilled	10	4	0	0	0	0	0	0
Total	**46**	**43**	**2**	**3**	**0**	**0**	**0**	**1**

EMPLOYMENT EQUITY

Level	Disabled Staff			
	Male		Female	
Salary Band	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 of representation of women in top and senior management. The Agency intends to satisfy its employment equity needs in the 2016/17 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

1. DIRECTORS' RESPONSIBILITIES AND APPROVAL

The Board of Directors is required in terms of section 55 of the Public Finance Management Act 1 of 1999, as amended (PFMA), 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 represent the state of affairs of 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 judgment and estimate, in conformity, in all material respects with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP).

The directors acknowledge that they are ultimately responsible for the system of internal controls 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 of internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of authority within a clearly defined framework, accounting procedures and adequate segregation of duties to ensure acceptable levels 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 maintain it by ensuring that appropriate infrastructure, control, systems and ethical behaviours applied and managed within predetermined procedures and constraints.

The Board of Directors is of the opinion that the financial statements fairly represent the financial position of Roads Agency Limpopo (SOC) Ltd. The Auditor-General South Africa, who are the independent auditors of Roads Agency Limpopo (SOC) Ltd, 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 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 a going concern for at least the following twelve months.The Annual Financial Statements of Roads Agency Limpopo (SOC) Ltd which appear on pages 66 to 115 were approved by the Board of Directors and are signed on their behalf by:

....
Mr. H.F. Magopa CA (SA)
Acting Chief Financial Officer
31 July 2016

....
Ms. M.G. Mokoka CA (SA)
Chairperson: Audit & Risk Committee
31 July 2016

....
Mr. M.P. Matji Pr.CPM
Chief Executive Officer
31 July 2016

....
Mr. M.S. Ralebipi
Chairperson: Board of Directors
31 July 2016

2. REPORT OF THE AUDITOR GENERAL

Introduction

1. I have audited the financial statements of the Roads Agency Limpopo SOC Ltd set out on pages 66 to 115, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting 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 qualified audit opinion.

Basis for qualified opinion
Property, plant and equipment

6. The entity did not recognise all items of property, plant and equipment in accordance with GRAP 17 Property, plant and equipment. Since 2013 to 2015, the entity has been incorrectly recognising property, plant and equipment under construction to the cumulative amount of R819 417 661 as project expenditure. Consequently, Property Plant and Equipment as disclosed in note 6 to the financial statements stated at R 26 655 924 324 (2015: R 28 496 442 000) is understated by R R819 417 661 and there is a resultant impact on the accumulated surplus. 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.

Impairment loss

7. The entity correctly recognised an impairment expense of R113 202 000 in the current year in accordance with SA Standards of GRAP 21, Impairment of non-cash generating assets. The entity also determined the impairment on prior period balances since 2013 to 2015, to be R485 522 000 in terms of SA Standards of GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors. This cumulative amount was incorrectly recognised as an impairment expense in 2015 comparative line item instead of adjusting the opening balance for the earliest prior period presented by the correct apportioned amount. As the entity did not maintain adequate records of the prior period impairment loss recognised, I was not able to determine the full extent of the overstatement of the comparative line item as it was impracticable to do so. 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.

Project expenses

8. The entity incorrectly recognised capital expenditure related to property plant and equipment under construction to the amount of R266 082 546, in the comparative line item. As a result project expenses stated at R314 155 000 is overstated by R266 082 546 and property plant and equipment under construction is understated by the same amount. Additionally there was a resultant impact on the surplus for the period and on the accumulated surplus.

Irregular expenditure

9. The entity procured goods and services to the amount of R48 671 000 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 relating to the irregular expenditure in the financial statements was complete. Consequently, I was unable to determine whether any further adjustments to irregular expenditure disclosed in note 27 to the financial statements stated at R1 478 426 000(2015: R1 826 417 000) were necessary.

Qualified opinion

10. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Roads Agency Limpopo SOC Ltd as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the in accordance with the SA Standards of GRAP and the requirements of the PFMA and Companies Act.

Emphasis of matters

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

Significant uncertainties

12. With reference to note 23 to the financial statements, the entity is the defendant in a number of lawsuits. The entity is opposing these claims amounting to R133 536 069 as it believes it has reasonable grounds to defend each claim. The ultimate outcome of the matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Restatement of corresponding figures

13. As disclosed in note 21 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of an error discovered during 2016 in the financial statements of the entity at, and for the year ended, 31 March 2016

Fruitless and wasteful expenditure

14. As disclosed in note 28 to the financial statements, the entity incurred fruitless and wasteful expenditure amounting to R5 895 000 (2015:R5 903 000). The prior year fruitless and wasteful expenditure has not yet been resolved.

Additional matter

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

Other reports required by the Companies Act

16. As part of our audit of the financial statements for the year ended 31 March 2016, I have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements in respect of which I have expressed a qualified opinion. I have not audited the reports and accordingly do not express an opinion on them.

Report on other legal and regulatory requirements

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

Predetermined objectives

18. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programme presented in the annual performance report of the entity for the year ended 31 March 2016:

- Programme 2: Transport Infrastructure on pages 29 to 33

19. 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 programmes. 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).
20. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
21. I did not raise any material findings on the usefulness and reliability of the reported performance information for Programme 2 : Transport Infrastructure.

Additional matters

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

Achievement of planned targets

23. Refer to the annual performance report on pages 23 to 36 for information on the achievement of the planned targets for the year.

Adjustment of material misstatements

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 2: transport Infrastructure. As management subsequently corrected the misstatements, I did not identify any material findings on the usefulness and reliability of the reported performance information.

Unaudited supplementary schedules

25. The supplementary information set out on pages 1 to 55 does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

Compliance with legislation

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

Annual financial statements, performance and annual report

27. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework 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 a qualified audit opinion.

Procurement and contract management
28 Goods and service were not procured through a procurement process which is fair, equitable, transparent and competitive as required by the PFMA section 51(1)(a)(iii).
29 Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of Treasury regulation 16A6.4.

Expenditure management
30. Effective steps were not taken to prevent irregular expenditure as required by section 38(1)(C) (ii) of the PFM act and Treasury Regulation 9.1.1. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis of qualification paragraph.

Internal control

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

Leadership

32. The accounting authority and management did not exercise adequate oversight responsibility over the enforcement of the entity's supply chain management policy.
33. 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

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

Governance

37. The lack of adequate review of financial information, performance report and compliance with laws and regulations by the internal audit unit resulted in material findings.

Other reports

38. The entity appointed an investigator to investigate processes followed with the appointment of contractors during the past few years. The investigations were not finalised at the reporting date.

Auditor-General
Polokwane
31 July 2016

Auditor - General

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

3. DIRECTORS REPORT

THE BOARD OF DIRECTORS OF THE ROADS AGENCY LIMPOPO (SOC) LTD HAS PLEASURE IN PRESENTING THE ANNUAL REPORT ON THE ACTIVITIES OF THE ENTITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016.

REVIEW OF ACTIVITIES

1. MAIN ACTIVITIES AND OPERATIONS

The Roads Agency Limpopo (SOC) Ltd was established to own and manage the provincial road infrastructure network, on behalf of the Limpopo Provincial Government, in terms of its establishing act, the Limpopo Province Roads Agency Proprietary Limited and Provincial Roads Act, 7 of 1998. The entity is a State-Owned Company registered as such in terms of the Companies Act 71 of 2008, and is listed as a Provincial Public Entity in schedule 3C of the Public Finance Management Act of 1999, as amended.
The Member of Executive Council responsible for Public Works, Roads and Infrastructure is the Executive Authority of the Agency. The Roads Agency Limpopo (SOC) Ltd receives its revenue from the Department of Public Works, Roads and 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 is 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

There were no material contracts in which the directors have an interest which were concluded and entered into during the financial period under review.

5. GOVERNANCE COMPLIANCE

5.1. General

The Board of Directors retains full control of the strategic planning and direction of the Agency and acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management, performance monitoring and evaluation, transparency and effective communication both internally and externally. The Board of Directors is a unitary structure comprising of four (4) independent non-executive board members, and one ex officio board member nominated to represent the Limpopo Provincial Treasury, as well as the Chief Executive Officer, who is an ex officio member in his official capacity. The Board of Directors is committed to applying all codified and customary corporate governance imperatives and statutes to ensure its responsible corporate citizenship.
In addition to the establishing statute of RAL, the shareholder concluded, as it does on an annual basis, a Shareholders' Compact with the Agency, outlining all the deliverables expected to be achieved by the Agency for the year under review.

5.2. Chairperson and Chief Executive

The Board of Directors held quarterly meetings, as required and executed their fiduciary duties, in line with the PFMA, Companies Act and the establishing Act of RAL. The Board of Directors, under the leadership of the Chairperson, created a conducive environment for maintaining and exercising continuous oversight of organisational effectiveness and efficiency and Board performance and effectiveness. The Chairperson was an independent non-executive director, and the roles of the Chairperson and the Chief Executive Officer are separate. The Board performs its functions jointly, as a collective, and no single individual has unfettered powers of discretion.
The Chief Executive Officer managed the business operations of the Agency on a day-to-day basis, and ensured that the strategy and performance plans approved by the Board were executed.

5.3. Audit and Risk Committee

On 12th November 2015, three experienced Chartered Accountants were appointed by the shareholder as Audit & Risk Committee Members. The Committee held 6 meetings during the financial period under review.

6. INTERNAL CONTROL SYSTEMS AND PROCEDURES

To meet its responsibility with respect to providing reliable financial information, the Roads Agency Limpopo (SOC) Ltd maintains effective and efficient financial and operational internal control systems. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with the prescribed laws and regulations and in conformity with the mandate of the shareholder. The controls also ensure 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.

7. RISK MANAGEMENT

The Audit and Risk Committee, on behalf of the Board, ensured that the risk appetite of the Agency is managed and that all risks identified in prior year are mitigated. RAL has a risk management strategy, and risk register, which follows an enterprise-wide risk management system, in terms of which all identified risk areas are managed systematically and continuously at departmental level. The register is treated as a working risk management document because risks are constantly recorded and managed. Management monitors and evaluates the implementation and efficiency of controls and actions to improve current controls in the risk register.

8. COMMITMENTS, CONTINGENCIES, AND LEGAL PROCEEDINGS

All commitments of the Roads Agency Limpopo (SOC) Ltd are reflected in the statement of financial position.
The Agency had several pending legal proceedings during the year under review.

9. FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE

Details of all transactions that were tantamount to fruitless and wasteful expenditure, as well as those that compounded irregular expenditure are set out in the notes to the Financial Statements.

10. DIRECTORS

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

- Mr. M.S. Ralebipi – Chairperson of the Board of Directors
- Ms. W.N.G. Moleko – Independent Non-Executive Director
- Ms. M.H. Kekana – Independent Non-Executive Director
- Mr. M.P.K. Tshivhase – Independent Non-Executive Director (appointed 1 June 2015)
- Adv. J.R. Bilankulu – Ex Officio Director representing the erstwhile Department of Roads and Transport (resigned 31 May 2015)
- Ms. M.K. Machaba – Ex Officio Director representing the Department of Public Works, Roads and Infrastructure (resigned 15 March 2016)
- Ms. M.J. Boshielo – Ex Officio Director representing the Limpopo Provincial Treasury (resigned 31 December 2015)

11. COMPANY SECRETARY

Ms. Tebogo C. Kekana was the Company Secretary during the year under review, appointed by the Board of Directors with effect from 1 June 2015.

12. HUMAN RESOURCES

The Roads Agency Limpopo (SOC) Ltd maintains a positive ethical work climate that is conducive in attracting, retaining and motivating a diverse group of quality employees at all levels of operations to encourage team spirit and personal commitment. Some of the key vacant positions that were filled during the period under review include:

- Company Secretary
- Senior Manager: Human Resources
- Manager: Office of the CEO
- Executive Manager: Engineering
- Executive Manager: Corporate Services
- Senior Manager: Supply Chain Management

4. CERTIFICATE OF THE COMPANY SECRETARY

In terms of section 88(2)(c) of the Companies Act no 71 of 2008 (as amended), I, T.C. Kekana, in my capacity as Company Secretary, confirm that for the year ended 31 March 2016, the Company has lodged with the Companies and Intellectual Property Commission, all such returns as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

....

Ms. T.C. Kekana
Company Secretary
31 July 2016

5. STATEMENT OF FINANCIAL POSITION
as at 31 MARCH 2016

	Notes	2015/16 R '000	2014/15 R '000
ASSETS			
Current Assets		156 816	120 059
Cash and cash equivalents	2	146 287	118 685
Receivables from exchange transactions	3	2 479	1 008
Receivables from non-exchange transactions	4	7 616	-
Inventories	5	434	366
Non-current Assets		26 658 493	28 498 773
Property, plant and equipment	6	26 655 923	28 496 442
Intangible assets	7	40	111
Receivables from exchange transactions	8	2 530	2 220
TOTAL ASSETS		26 815 309	28 618 832

5. STATEMENT OF FINANCIAL POSITION
as at 31 MARCH 2016 (cont...)

	Notes	2015/16 R '000	2014/15 R '000
LIABILITIES			
Current Liabilities		220 248	49 604
Payables from exchange transactions	9	66 346	49 604
Payables from non-exchange transactions	10	153 902	-
TOTAL LIABILITIES		220 249	49 604
NET ASSETS			
Ordinary Shares	11	0	0
Accumulated surplus		26 595 061	28 569 228
TOTAL NET ASSETS AND LIABILITIES		26 815 309	28 618 832

6. STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 MARCH 2016

	Notes	2015/16 R '000	2014/15 R '000
REVENUE			
Revenue from non-exchange transactions	12	690 307	1 107 316
Government grants and subsidies		690 307	1 107 316
Revenue from Exchange Transactions	13	8 205	12 224
Finance Income		5 594	9 327
Other Income		2 611	2 897
TOTAL REVENUE		698 513	1 119 540
EXPENDITURE		2 547 049	3 225 556
Employee related costs	14	53 620	47 888
Depreciation and amortisation expense	15	2 329 944	2 331 581
Finance costs	16	8	367
Bad debts		288	261
General expenses	17	44 186	45 253
Project expenses	18	5 302	314 155
Repairs and maintenance		499	529
Impairment Loss	19, 20	113 202	485 522
NET DEFICIT FOR THE YEAR		(1 848 536)	(2 106 016)

7. STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 MARCH 2016

	Notes	Accumulated Surplus R '000	Total Amount R '000
Balance as at 31 March 2014 as previously reported		32 994 770	32 994 770
Prior year adjustments	21	(1 939 414)	(1 939 414)
Balance at 31 March 2014 as restated		31 055 356	31 055 356
Net deficit for the year		(2 106 016)	(2 106 016)
Transfer of unspent funds		(345 511)	(345 511)
Transfer of own revenue		(34 601)	(34 601)
Balance as at 31 March 2015		28 569 228	28 569 228
Net deficit for the year		(1 848 536)	(1 848 536)
Transfer of unspent funds		(118 685)	(118 685)
Transfer of own revenue		(6 947)	(6 947)
Balance as at 31 March 2016		26 595 061	26 595 061

8. CASH FLOW STATEMENT
for the year ended 31 MARCH 2016

	Notes	2015/16 R '000	2014/15 R '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants		836 594	761 592
Interest received		5 078	9 891
Other receipts		2 270	3 176
		843 942	774 659
Payments			
Compensation of employees		(55 032)	(47 286)
Goods and services		(47 003)	(344 829)
Interest and penalties		(8)	(367)
Other payments		(125 631)	(52 485)
		(227 674)	(444 967)
Net cash from operating activities	20	616 268	329 692
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of assets		(588 356)	(616 953)
Deposit received (paid) on borrow pit		(310)	40
Acquisition of intangible assets		-	(95)
Net cash flows from investing activities		(588 666)	(617 008)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flows from financing activities		-	-
Net increase in cash and cash equivalents		27 602	(287 316)
Cash and cash equivalents at beginning of the year		118 685	406 001
Cash and cash equivalents at end of the year	2	146 287	118 685

9. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION
for the year ended 31 MARCH 2016

	Notes	Approved Budget	Adjustment	Final Budget	Actual	Difference
		R '000	R '000	R '000	R '000	R '000
REVENUE						
Revenue from non-exchange transactions		695 594	141 000	836 594	690 307	(146 287)
Government grants and subsidies		695 594	141 000	836 594	690 307	(146 287)
Road and bridges constructed by other entities		-	-	-	-	-
Revenue from Exchange Transactions		13 035	(7 556)	5 479	8 205	2 726
Finance Income		11 060	(8 016)	3 044	5 594	2 550
Other Income		1 975	460	2 435	2 611	176
TOTAL REVENUE		708 629	133 444	842 073	698 513	(143 560)
EXPENDITURE		695 400	137 936	833 336	2 547 049	1 713 713
Employee related costs		73 910	(15 074)	58 836	53 619	(5 217)
Depreciation and amortisation expense		-	-	-	2 329 944	2 329 944
Finance costs		-	8	8	8	(0)
Bad debts		-	-	-	288	288
General expenses		45 506	11 777	57 283	44 186	(13 098)
Project expenses		575 594	141 000	716 594	5 302	(711 292)
Repairs and maintenance		390	224	614	499	(115)
Loss on disposal of assets		-	-	-	113 202	113 202
NET SURPLUS/ (DEFICIT) FOR THE YEAR		13 229	(4 492)	8 737	(1 848 536)	(1 857 273)

Comments are provided for variances in excess of 10% of budgeted figures and R1 million

The under-spending on the allocated government grant is mainly due to additional grant received from Limpopo Department of Public Works, Roads and Infrastructure in respect of 19 maintenance projects and a road upgrade project. The service providers for the projects were only appointed during the month of March 2016.

The Interest income was higher than the budget due to increase in the amounts of grants requested from Department of Public Works, Roads and Infrastructure towards the end of the year which was made in anticipation of the increased spending on additional maintenance projects at year end.

The under-spending on goods and services is mainly attributable to implementation of cost containment measures that resulted in reduced spending on professional fees and legal services.

The variance on projects expenditure is mainly due to difference between the manner in which projects expenditures are budgeted for and how they get treated for accounting purpose. As a result, only R5 million of the budgeted project expenditure was expensed and the remaining balance was capitalised. The remaining balance of under-spending was caused by the projects that were transferred to RAL in the second quarter of the year; those projects were only awarded in March 2016. The variances on depreciation and amortisation, and impairments expenses are due to the fact that entity does not budget for these expense items.

Change from Approved to Final Budget

The changes from Original approved budget to final budget were as a result of the following: The budget for interest income was reduced due to expected reduction in the interest income caused by reduction in the average cash holding of grants income.

Government grant was increased by R141 million due to 19 maintenance projects and a project for road upgrade from gravel to tar road in Muyexe that were transferred to RAL during the second quarter of the year.
Budgeted employee costs was reduced due to delays in filling of vacancies.

10. ACCOUNTING POLICIES

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

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

1.3 GOING CONCERN ASSUMPTION

The financial statements have been prepared on the basis that the entity is a going concern. The directors have no reason to believe that the company will not be a going concern in the next 12 months. Furthermore, there is a letter of support confirming that the shareholder will continue allocating funds for the operations of the entity in the next financial year.

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 retrospectivelyas far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in thecurrent 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 future periods.

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 theseassets 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.

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 during 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.

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:

- 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.

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;
- 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 theliability.

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time.

This increase is recognised as an interest expense. A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

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

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.

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) atthe 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.

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.

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.

Expenditure relating to non-exchange

The accounting policy for expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

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.

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. 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.

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;
  a) Significant risks and rewards are transferred to another party; or
  b) 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 or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

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, theamount 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.

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 2016. 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.

(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 2016, 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)

NOTES TO THE FINANCIAL STATEMENTS

Standards of GRAP	Details of the amendment to the Standards and the anticipated impact thereof	Financial Period
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)
GRAP 109: Accounting by Principals and Agents	The new standard of GRAP outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. Management's assessment indicates that the new standard will have no impact.	To be determined by the Minister. (Issued in July 2015)
GRAP 18: Segment Reporting	The new standard of GRAP deals with the establishment of the principles for reporting financial information by segments. Management's assessment indicates that the new standard will have no impact.	To be determined by the Minister. (Issued in February 2011)

	2015/16	2014/15
	R '000	R '000
2. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand	2	0
Bank balance - Current account	146 285	118 685
	146 287	118 685

There are no restrictions placed on the realisation or usability of cash balances. The entity does not have access to any additional undrawn facilities. The effective interest rates on current bank account was 5.881%.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2015/16	2014/15
Trade Receivables	134	94
Trade receivables	870	541
Less: Provisions for doubtful debts	(735)	(447)
Accrued interest	947	431
Students and staff bursaries	616	238
Prepayments	678	225
Other receivables	104	21
	2 479	1 009

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

Accrued interest relates to interest from current bank account and trade receivables

	2015/16 R '000	2014/15 R '000
Trade receivables past due but not impaired		
The ageing of amounts past due but not impaired is as follows:		
1 month past due		-
2 months past due		9
3 months past due		1
Over 3 months past due		1
	-	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	735	418
	735	447

The entity does not hold any collateral as security.

	2015/16 R '000	2014/15 R '000
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	447	186
Allowance for impairment losses	288	261
	735	447

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2015/16 R '000	2014/15 R '000
Grants received	836 594	761 592
Less: Grants recognised as income	(690 308)	(1 107 316)
Less: Cash suplus at year end	(153 902)	-
	(7 616)	(345 724)

	2015/16 R '000	2014/15 R '000
5. INVENTORIES		
Consumable stores	434	366

Consumables at year end consist of office stationery.

Inventories recognised as an expense and included in general expenses amounted to R518 225 (2015: R104 268).

6. PROPERTY, PLANT AND EQUIPMENT

	2015/16			2014/15		
	R'000	R'000	R'000	R'000	R'000	R'000
SUMMARY	Cost/ Valuation	Accumulated Depreciation	Carrying Value	Cost/ Valuation	Accumulated Depreciation	Carrying Value
Land	3 700	-	3 700	3 700	-	3 700
Buildings	75 796	(22 293)	53 503	75 796	(21 022)	54 774
Motor vehicles	305	(206)	99	305	(181)	124
Office equipment	2 073	(1 043)	1 030	1 762	(733)	1 029
Computer equipment	11 936	(9 613)	2 323	10 961	(8 004)	2 957
Furniture & fittings	4 968	(2 864)	2 104	4 312	(2 523)	1 789
Roads and bridges	49 290 662	(23 254 099)	26 036 563	48 932 979	(20 814 578)	28 118 401
PPE under construction	556 601	-	556 601	313 668	-	313 668
TOTAL	49 946 041	(23 290 118)	26 655 923	49 343 483	(20 847 041)	28 496 442

Reconciliation - 2015/16	Opening Balance	Additions	Disposals/ Transferred	Impairment	Depreciation	Closing Balance
Land	3 700	-			-	3 700
Buildings	54 774	-			(1 271)	53 503
Motor vehicles	124	-			(25)	99
Office equipment	1 029	311			(310)	1 030
Computer equipment	2 957	974			(1 608)	2 323
Furniture & fittings	1 789	656			(341)	2 104
Roads and bridges	28 118 401	357 683		(113 202)	(2 326 319)	26 036 563
PPE under construction	313 668	600 616	(357 683)		-	556 601
	28 496 442	960 240	(357 683)	(113 202)	(2 329 874)	26 655 923

Reconciliation - 2014/15	Opening Balance	Additions	Disposals/ Transferred	Impairment	Depreciation	Closing Balance
Land	3 700	-	-	-	-	3 700
Buildings	56 044	-	-	-	(1 270)	54 774
Motor vehicles	149	-	-	-	(25)	124
Office equipment	543	648	-	-	(162)	1 029
Computer equipment	3 083	1 307	-	-	(1 327)	2 957
Furniture & fittings	1 829	267	-	-	(307)	1 789
Roads and bridges	29 741 029	1 191 291		(485 522)	(2 328 397)	28 118 401
PPE under construction	876 491	628 468	(1 191 291)		-	313 668
						-
	30 682 869	1 821 981	(1 191 291)	(485 522)	(2 331 488)	28 496 442

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 Polokwane Township with the registration division L.S Limpopo

7. INTANGIBLE ASSETS

SUMMARY	2015/16 R'000 Cost/ Valuation	2015/16 R'000 Accumulated amortisation	2015/16 R'000 Carrying Value	2014/15 R'000 Cost/ Valuation	2014/15 R'000 Accumulated amortisation	2014/15 R'000 Carrying Value
Computer software	1 304	(1 264)	40	1 304	(1 193)	111
Website design cost	1 661	(1 661)	-	1 661	(1 661)	-
TOTAL	2 965	(2 925)	40	2 965	(2 854)	111

Reconciliation - 2015/16	Opening Balance	Additions	Disposals	Write-off	Amortisation	Closing Balance
Computer software	111	-	-	-	(70)	40
Website design cost	-	-	-	-	-	-
	111	-	-	-	(70)	40

Reconciliation - 2014/15	Opening Balance	Additions	Disposals	Write-off	Amortisation	Closing Balance
Computer software	95	95	-	-	(78)	111
Website design cost	13	-	-	-	(13)	-
	108	95	-	-	(91)	111

8. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2015/16 R '000	2014/15 R '000
Designated at cost		
Other loans and receivables	2 530	2 220

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

9. PAYABLES FROM EXCHANGE TRANSACTIONS

	2015/16 R '000	2014/15 R '000
Trade payables	37 562	14 643
Retention fees	25 680	29 971
13th cheque	776	620
Accrued expenses	-	-
Employee accruals	2 263	3 312
Other payables	65	1 058
	66 346	49 604

	2015/16 R '000	2014/15 R '000
Ageing of Trade Payables		
Current (0 – 30 days)	33 570	14 643
31 - 60 Days	3 564	
61 - 90 Days	230	-
	37 364	14 643

		2015/16 R '000	2014/15 R '000
10.	PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
	Government grants received	836 594	761 592
	Less: Spent during the year	682 692	761 592
		153 902	-
11.	SHARE CAPITAL		
	Authorised		
	1 00 Ordinary shares of R1 each	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.

		2015/16 R '000	2014/15 R '000
12.	REVENUE FROM NON-EXCHANGE TRANSACTIONS		
	The revenue from non-exchange transactions is made up as follows:		
	Government grants - Equitable share projects	600 615	1 024 661
	Government grants - Equitable share admin	89 693	82 655
		690 307	1 107 316
13.	REVENUE FROM EXCHANGE TRANSACTIONS		
	Interest received	5 594	9 327
	Other income	2 611	2 897
	Rental income	706	1 707
	Sale of tender documents	1 428	579
	Application fees	477	598
	Insurance claims	-	14
		8 205	12 224

14. EMPLOYEE RELATED COSTS

	2015/16 R '000	2014/15 R '000
Basic Salary	33 707	30 041
Travel and housing Allowances	13 069	10 448
Medical aid – company contributions	645	511
Post retirement benefit plan cost (Defined contribution plan)	4 369	3 586
Leave pay provision charge	536	489
UIF	140	127
Other allowances	957	1 930
Settlement and others	197	756
	53 620	47 888

15. DEPRECIATION AND AMORTISATION EXPENSES

Property, plant and equipment	2 329 874	2 331 490
Intangible assets	70	91
	2 329 944	2 331 581

16. FINANCE COSTS

Interest on trade and other payables	8	367

17. GENERAL EXPENSES	2015/16 R '000	2014/15 R '000
Accommodation	498	444
Advertising	9 785	1 649
Assets expensed	6	-
Auditors remuneration	2 434	2 476
Directors remuneration	2 517	
Bank charges	55	40
Bursaries	74	(6)
Cleaning	251	566
Compassion gift and farewell	50	55
Computer expenses	173	760
Conferences and seminars	561	151
Consulting and professional fees	3 182	5 302
Consumables	327	50
Court settlements	450	16 754
Electricity, water, refuse removal and rates	1 186	917
Entertainment	37	6
Insurance	4 294	519
Internal audit fees	605	672
Rentals	485	414
Legal fees	8 898	6 124
Licenses	427	177
Motor vehicle expenses	6	24
Postage and couriers	18	8
Printing and stationery	726	582
Record disposal	-	420
Recruitment cost	927	756
Security	947	600
Subscriptions and membership fees	97	35
Subsistence and travel	3 622	3 867

	2015/16 R '000	2014/15 R '000
Catering expenses	114	7
Telephone, fax and internet	1 019	833
Training	243	678
Travel - local	-	348
Uniforms	171	27
	44 186	45 253

18. PROJECT EXPENSES

Repair and maintenance of roads and bridges	5 302	314 155

These are expenditure spent on roads and bridges that do not qualify to be capitalised into the assets.

19. IMPAIRMENT LOSS

Property, plant and equipment	113 202	485 522

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

	2015/16 R '000	2014/15 R '000
Net Surplus per the Statement of Financial Performance	(1 848 536)	(2 106 016)
Adjusted for:		
Depreciation	2 329 873	2 331 490
Amortisation	70	91
Impairment loss	113 491	485 522
Transfer of unspent funds	(118 685)	(345 511)
Transfer of own revenue	(6 947)	(34 601)
Prior period payments	-	174
Change in working capital	147 001	(1 457)
(Increase)/decrease in inventories	(69)	
(Increase)/decrease in receivables from exchange transactions	(1 381)	796
Increase/(decrease) in payables from exchange transactions	2 164	(2 253)
Increase/(decrease) in payables from non-exchange transactions	146 287	
Net cash inflows from operating activities	616 268	329 692

21. PRIOR PERIOD ERRORS

The 2016 financial statements have been restated to correct the prior period errors set out below.

The Agency did not review the remaining useful lives and conduct assessment of the condition some of the property, plant and equipment as required by GRAP 17. This has resulted in incorrect calculation of depreciation expenses.

The Agency identified invoices in the current financial year that related to the previous financial year which required restatement of the 2015 financial statements.

The impact of the correction is as follow:

	2014/15 R '000 Restated	Prior period error	Previously reported
Statement of Financial Position			
Roads ad bridges	48 932 979	1 135 105	47 797 874
PPE under construction	313 668	(1 954 524)	2 268 192
Accumulated depreciation and impairment	20 847 042	1 556 806	19 290 236
Payables from exchange transactions	49 604	980	48 624
Statement of Financial Performance			
Decrease in depreciation	2 331 581	(48 142)	2 379 723
Increase in impairment	485 522	485 522	-
Increase in general expenditure	45 252	388	44 865

22. COMMITMENTS

	2015/16 R '000	2014/15 R '000
ESTIMATED CAPITAL EXPENDITURE		
Project Expenditure		
Approved and contracted: Roads Construction	1 331 672	411 767
Approved and contracted: Roads Maintanance	437 104	0
Total project commitments	1 768 776	411 767
The expenditure will be financed from Government grants.		
Operational Expenditure		
Approved and contracted: Property, plant and equipment	6	-
Approved and contracted: Intangible assets	609	-
Approved and contracted: Other commitments	48 641	-
Total operational commitments	49 256	-
Total commitments	1 818 032	411 767

The expenditure will be financed from Government grants.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

OPERATING LEASE COMMITMENTS:	2015/16 R '000	2014/15 R '000
Operating lease commitments:		
Total future minimum lease payments due:		
- within one year	16	95
- within two to five years	-	111
	16	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
	170	340

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.

23. CONTINGENT LIABILITIES AND ASSETS

At 31 March 2015, the entity had contingent liabilities for amount of R135 237 677.70 million relating to claims against RAL.

At 31 March 2016, the entity had contingent liabilities for amount of R85 531 095.00 million regarding claims against RAL resulting from tender related disputes.

Contingent liabilities estimated at R27 228 503.00 exist regarding possible claims against RAL resulting from road related accidents and enfringement of private properties.

At 31 March 2016, the entity had contingent liabilities for amount of R20 776 471.00 regarding claims against RAL resulting from disputes of the employment contract.

At 31 March 2016, the entity was not registered for VAT and the output VAT may be payable to SARS. The amount of VAT payable to SARS cannot be reasonably estimated at this time.

At 31 March 2016, the entity had contingent assets for amount of R16 188 286.00 regarding claims by the entity against various parties for contractual negligence.

The entity had also contingent assets for amount of R274 800 000.00 resulting from the contractual agreements with various private sector companies to assist RAL by contributing to roads construction.

24. RELATED PARTY TRANSACTIONS

RELATIONSHIPS

Shareholder	The principal shareholder of RAL is the MEC of Department of Public Works, Roads and Infrastructure being 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. 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

Related party transactions	2015/16 R '000	2014/15 R '000
National Department of Transport		
Remuneration of acting CEO	-	2 251
Limpopo Department of Public Works, Roads and Infrastructure		
Government grants	690 307	1 107 316
Related party balances		
National Department of Transport		
Payables from exchange transactions	-	767
Limpopo Department of Public Works, Roads and Infrastructure		
Receivables from non-exchange transactions	7 616	
Payables from non-exchange transactions	153 902	-

25. DIRECTORS AND MANAGEMENT REMUNERATION

Non-Executive Directors

2015/16	Retention fees	Meeting allowance	Acting allowance	Total
M Ralebipi (Chairperson)	914	-	-	914
WNG Moleko	351	-	-	351
MH Kekana	712	-	-	712
MPK Tshivhase [1]	317	-	-	317
GM Maluleke [2]	86	-	-	86
M Mokoka [2]	71	-	-	71
Z Samsam [2]	82	-	-	82
	2 533	-	-	2 533

2014/15	Retention fees	Meeting allowance	Acting allowance	Total
M Ralebipi (Chairperson)	171	200	-	371
WNG Moleko	165	221	-	386
R Shingange	82	94	-	176
	418	515	-	933

Executive Directors

2015/16	Basic salary	Travel and housing allowance	Medical and pension contribution	Other Allowances	Total
MP Matji (CEO)	1 334	689	200	-	2 223
	1 334	689	200	-	2 223

2014/15	Basic salary	Travel and housing allowance	Medical and pension contribution	Other Allowances	Total
MP Matji (CEO) [3]	107	55	16	-	178
MI Motsepe (Acting CEO) [4]	2 251	-	-	-	2 251
	2 358	55	16	-	2 429

Executive Managers

2015/16	Basic salary	Travel and housing allowance	Medical and pension contribution	Other Allowances	Total
KA Rabothata (CFO) [5]	439	288	5	-	732
H Magopa (Acting CFO) [6]	739	239	86	229	1 293
B Mokhothu (Executive Manager: Engineering) [7]	173	87	28	-	288
TC Kekana (Company Secretary) [8]	674	260	104	-	1 038
S Saimen (Manager: Internal Audit)	528	266	78	-	872
	2 553	1 140	301	229	4 223

2014/15	Basic salary	Travel and housing allowance	Medical and pension contribution	Other Allowances	Total
R Rikhotso (Acting Executive manager engineering)	766	289	118	215	1 388
NK Mflatela	692	260	108	-	1 060
S Saimen (Manager: Internal Audit)	500	259	75	-	834
	1 958	808	302	215	3 282

1. Appointed on 01/06/2015
2. Appointed on 01/11/2015
3. Appointed on 01/03/2015
4. Resigned on 28/02/2015
5. Appointed on 15/04/2015
6. Appointed on 07/07/2015
7. Appointed on 01/02/2016
8. Appointed on 01/06/2015

26. 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 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 year	Total
Payables from exchange transactions	66 346	-	-	-	66 346

At 31 March 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 year	Total
Payables from exchange transactions	48 624	-	-	-	48 624

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:

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

Cash and cash equivalent	146 287	118 685
Receivables from exchange transactions	2 479	1 089
Non-current receivables	2 530	2 270
Total credit risk exposure	151 295	122 044

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	Carried at fair value	Carried at amortised cost	Carried at cost	Total
At 31 March 2016				
Cash and cash equivalent	146 287	-	-	146 287
Receivables from exchange transactions	2 479	-	-	2 479
Non-current receivables	-	-	2 530	2 530
	148 765	-	2 530	151 295

Financial liabilities	Carried at fair value	Carried at amortised cost	Carried at cost	Total
At 31 March 2015				

Cash and cash equivalent	118 685	-	-	118 685
Receivables from exchange transactions	525	-	-	525
Non-current receivables	-	-	2 220	2 220
	119 210	-	2 220	121 430

27. GOING CONCERN ASSUMPTION

The Roads Agency Limpopo 50C Ltd (RAL) incurred a net loss for the year ended 31 March 2016 of R 1 848 536 000 (2015: R 2 106 016 000) and at that date, the entity's total current liabilities exceeded its total current assets by R 63 433 000 (2015: Current assets exceeded current liabilities by R 70 455 000)
The financial statements are prepared on the basis of the accounting policies, applicable to going concern. This basis is considered to be appropriate, due to the following:
1. RAL considers the future grant allocation as sufficient to enable it to continue as a going concern.
2. RAL was able to pay all short term debt subsequent to year-end.
3. RAL does not have any long term debt.
4. RAL partnered with entitles from the private sector, which will provide financial support to enable RAL to complete all its planned projects.
5. A letter of support from the shareholder was obtained confirming that financial support will be granted to RAL to enable the entity to meets its future commitments.

	2015/16 R '000	2014/15 R '000
28. IRREGULAR EXPENDITURE		
Opening Balance	1 826 417	1 378 947
Irregular expenditure – relating to current year	48 671	447 470
Identified by RAL	30 854	-
Identified by AG	17 817	447 470
Less: Condonements	(396 662)	
	1 484 183	1 826 417
Details of irregular expenditure – current year		
Contravention of legislation (Treasury Regulations)	1 478 426	
Details of Irregular Expenditure - Current Year (not condoned and not recoverable)		
Incorrect application of the PPPFA when evaluating tenders.		25 972

	2015/16 R '000	2014/15 R '000
29. FRUITLESS AND WASTEFUL EXPENDITURE		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	5 895	5 104
Fruitless and wasteful expenditure – relating to current year	8	791
Less: Amounts condoned by the Board of Directors	-	-
	5 903	5 895
Fruitless and wasteful expenditure awaiting condonation	5 903	5 895
Details of Fruitless and Wasteful Expenditure - Current Year		
Interest on settlement of lease agreement and late payment of invoices		-
Penalties and interest paid to SARS	8	-

* Contravention of legislation (PFMA)

NOTES


FVZ
ISUZU
ISUZU
1400
TIP
006
FTL 296 FS
CAT

ROADS AGENCY LIMPOPO (SOC) Ltd
Private Bag X9554, Polokwane, 0700
Tel: 015 284 4600
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