

ANNUAL REPORT 2017/2018



ROADS AGENCY LIMPOPO
Together for better roads







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PUBLIC ENTITY'S GENERAL INFORMATION





1. PUBLIC ENTITY'S GENERAL INFORMATION

Directors	:	Mr M.S Ralebipi (Chairperson); Ms W.N.G Moleko; Mr M.P.K Tshivhase; Ms T.M Ramabulana; Mr X.R Mulamula; Mr M.M Mkhacane; 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 (SOC) Ltd
LDPWRI	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 (AFS), as well as its overall performance pertaining to the achievement of its pre-determined objectives, as set in the Annual Performance Plan. The aim of the report is to record the performance of Roads Agency Limpopo (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 three main focal points of the report are the Audit Report, the Audited Annual Performance Information Report and the Audited Annual Financial Statements, which are a fair representation of the financial position, financial performance and cash flow of RAL;

prepared in conformity with the framework for the preparation and presentation of the 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 regulation 28.2.2 of the Treasury Regulations.

1.3. Approval of the Annual Report

The Board of Directors 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 30 July 2018.

A handwritten signature in black ink, appearing to read 'M.S. Ralebipi', is written over a horizontal line.

Mr. M.S. Ralebipi
Chairperson: Board of Directors

A handwritten signature in black ink, appearing to read 'M.P. Matji Pr. CPM', is written over a horizontal line.

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, responsible for the custodianship of the Limpopo Provincial road network.

RAL has been mandated to manage, control, plan, develop, and maintain the provincial road network on behalf of the provincial government. The road asset portfolio of RAL measures in the extent of 19 997 kilometres (km), of which only 6 179 km is tarred and the balance of 13 818 km is gravel roads. The Agency obtains its revenue from the Limpopo Provincial Government, 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 R836 million.

RAL has for the year under review upgraded 46km, rehabilitated 122.51 lanes, resealed 254.971 lanes and built 2 bridges. An estimated amount of R160 billion would be required in order to enable RAL to tar the 13 818 km of gravel roads. Despite the budgetary constraints, RAL strives to employ all its endeavours to reduce the backlog of gravel roads that require tarring.

In this regard, RAL has secured strategic partnerships in an effort to raise additional funds. Through the Partnerships, RAL has already raised more than 480 million and continues to secure more partnerships.

RAL has been mandated to manage, control, plan, develop, and maintain the provincial road network on behalf of the provincial government.



PART 3: STRATEGIC OVERVIEW

3.1 Vision

To contribute 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

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

PART 4. FOREWORD BY THE MEC

Recently, South Africa witnessed a surge of violent service delivery protests. We continue to see a worrying trend where dissatisfied communities are increasingly resorting to violent protests to highlight their service delivery plights. Since 2009, evidence shows that service delivery protests have escalated in prevalence and severity. Violent service delivery protests continue to pose serious headaches for government. There is no doubt that the issue of service delivery protests is emerging as today's complex developmental challenge. As the department, we are however of the view that with proper planning and consistent implementation and monitoring of service delivery strategies, the war against service delivery protests can be minimised. Service delivery protests represent a perfect opportunity for government agencies like Roads Agency Limpopo (RAL) to accelerate the delivery of well-maintained roads, particularly in remote rural communities.

In his State of the Province Address (SOPA), the Premier of the Province, Stanley Mathabatha made a strong undertaking to prioritise the taring of Limpopo Province's road network. The Department of Public Works, Roads and Infrastructure, is fully aware that a well-maintained and upgraded road infrastructure remains a key enabler for growing a sustainable economy through a well-maintained road infrastructure, the economy of Limpopo is poised to grow at a steady rate.

My department will closely work together with RAL and other key stakeholders to ensure that the undertaking made by Premier Mathabatha is fully realised. My first priority will be to ensure that resources earmarked for road development projects are fairly distributed among Limpopo's five district municipalities. We want to see all our communities benefiting from RAL's road development and maintenance projects.



Nandi Ndalane

MEC: Department of Public Works, Roads & Infrastructure



We want to see RAL playing a prominent role in advancing the government's radical socio-economic transformation discourse. As a department, our chief task is to facilitate business to business connectivity and village to village mobility through excellent delivery of road infrastructure. We remain resolute on the need for RAL to adopt measures that strengthen its service delivery capabilities. We are also aware that RAL's budgetary constraints continue to negatively impact on its ability to effectively discharge its mandate. Experience has shown us that this burden cannot be carried solely on the shoulders of only a few. I want to applaud the noble idea by RAL's management to unlock more support from the private sector, through adopting strategic partnership . It is encouraging to note that through this strategy, the Agency raised close to half a billion rand.

This initiative has proven to be pragmatic and once more it must be commended. I encourage the RAL leadership to continue this good work. We are confident that through Mr. Ralebipi's agile leadership, this vision will be realised.

It is pleasing to note the gains made as part of the turnaround strategy adopted by the RAL Board since 2015. Some of the notable dividends include inter alia, stabilising the RAL leadership, strengthening internal controls, improving financial management and receiving improved audit outcomes thereby restoring lost public confidence. We are happy that RAL has not regressed from unqualified audit opinion of 2016/17.

We implore the board to implement more drastic measures to ensure these gains are jealously protected and to secure a clean audit in 2018/19.

My department, as the shaeholder of RAL, envisages that RAL continues to demonstrate enviable service delivery capabilities and unparalleled efficiencies in terms of governance. I urge RAL to continue to play a significant role in empowering small businesses through its multifaceted SMME development programme. Supporting small businesses is an obligation that RAL must steadfastly execute with great precision and distinction. Greater support to small businesses means more jobs and living wages for our women and youths. We will continue to support RAL by rendering enhanced oversight to enable the agency to discharge its core mandate effectively. Lets all work together for better roads.

PART 5. STATEMENT BY THE BOARD CHAIRMAN

The period under review was the most challenging for Roads Agency Limpopo (RAL). The operating environment was characterised by adverse economic conditions which later triggered negative credit downgrades from international credit rating agencies. The depreciating Rand against the US\$, increase in energy prices and the corresponding surge in interest rates also piled pressure on the economy. The year also witnessed a marked increase in road infrastructure vandalism especially in communities known to be service delivery hotspots. As the economy struggled to create jobs, high unemployment among the youths became a serious policy challenge.

Despite, facing these daunting challenges, the Board is delighted to report positive gains made since its appointment in 2014. Our ambition to make RAL one of the best governed Agencies in Limpopo Province and ultimately the whole of South Africa is gradually being realised. We attribute these positive gains to the unwavering support from our communities and strategic partners and the shareholder. RAL could not have achieved most of its targets without this treasurable support. Going forward, this Board plans to intensify measures to deepen cooperation with our valued stakeholders and partners.

During the review period, the Board's performance focused on three commitments; that is, adherence to applicable governance standards; commitment to ethical practices and lastly commitment to targets spelled out in the shareholder compact. The first critical step towards fulfilling these commitments was to steer RAL in the right strategic direction by approving relevant policies and plans. Secondly, the Board oversaw and monitored the execution of those plans by management.



Mr. MS Ralebipi
Chairperson: RAL
Board of Directors



Thirdly, the Board fostered an accountability culture by means of, among others, reporting and disclosure. These crucial imperatives were geared towards building a strong ethical and performance environment as well as achieving improved overall performance. Apart from prioritising the stabilization of RAL's operations, the Board also redirected its focus towards ensuring that RAL adopts a pro-SMME procurement policy in line with the Provincial procurement framework.

The lifelong commitment to deliver a proper road network for Limpopo Province, requires that everyone be involved. The 2017/18 financial year is remembered as the year when RAL consciously took the partnership dimension to new heights. The Board dedicated the entire year towards strengthening existing cooperation agreements as well as recruiting new partners into the RAL family. Through sustained political support from the Shareholder representation, RAL successfully opened new partnership frontiers. These efforts never went unrewarded.

During the review period, RAL effectively signed a number of partnerships. This is a clear testimony that the RAL brand continues to generate positive feedback from our valued stakeholders and partners.

However, this landmark victory never came cheap, rather great sacrifices were made. The first critical step towards achieving this reality was to strengthen RAL's accountability and internal control environment. The internal audit environment was restructured with the view to enhance its independence and performance. In addition, the Board adopted an assurance focus. The continuous improvement of audit outcomes witnessed since 2014 serves as a confirmation of the impact of this strategic move. The second step involved adopting initiatives to rebuild RAL's declining public trust. The Board correctly noticed that due to successive years of negative publicity, the public image of RAL was substantially tarnished. As a corrective measure, the Board spent the greater part of 2017/18 financial year rebuilding RAL's tainted image. We understood the adverse effects triggered by negative publicity to RAL's reputation in the eyes of the media, public and partners.

Since the Board successfully implemented the 2015 turnaround strategy, public trust in the RAL brand steadily improved. On behalf of the Board of Directors, I would like to express my heartfelt thanks to our MEC Ndalane for providing timeless political support and direction to the Board. My heartfelt thanks also goes to fellow Board members, our partners, management and all the employees for working tirelessly towards making RAL great again.

PART 6. OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

This review period witnessed yet another distinguished performance by Roads Agency Limpopo (RAL). To us, receiving an unqualified audit outcome for the second time in a row remains a great cause for celebration. Considering RAL's troubled past, this achievement is a clearer indication that RAL's internal control environment has indeed come out of age. I am convinced that this historic performance marks the beginning of a new era for the Agency, an era where ideals of accountable and servanthood leadership are consistently promoted. The 2017/18 annual report is symbolic in a significant way.

It is also coming at a time when South Africa's economy is experiencing some sort of a rebirth owing to the positive effects of the new dawn message championed by President Ramaphosa. During the review period, RAL registered countless gains. In 2014, when the Board and Management took over, RAL was besieged by severe administrative and governance challenges. These challenges had an adverse bearing on RAL's operations. The unpleasant state of affairs we inherited in 2015 required joint effort to undo. With the support of the Board, we took measured steps aimed at steering the Agency out of the many challenges it was facing. The decisive actions and decisions adopted by the Board and management quickly paid off.

Within a period of a year, RAL recorded outstanding results. From interchangeably receiving adverse and disclaimer audit outcomes to an improved qualified audit opinion in 2015/16 and unqualified one in 2016/17. I am happy to announce that the Board and management are still engaged with the process to address the R1.6 billion in irregular expenditure inherited between the 2007/8 and 2010/11 periods. Since 2014, management observed that a huge vacancy rate in executive management, engineering, finance and supply chain negatively affected RAL's ability to effectively deliver services. However, over the past two years, the Board worked closely with management to effectively fill all vacant posts.



Mr. MP Matji

Chief Executive Officer



The greater part of the reporting period focused on the vigorous implementation of the turnaround strategy adopted in 2015. The appropriate implementation of this strategy effectively set RAL on the path of sustainable service delivery. It is without doubt that RAL is fast turning a new page against decades of mismanagement and organisational instability. The Agency is truly regaining its rightful place in South Africa. Apart from recruiting highly competent engineers, we will strengthened our supply chain and financial management capabilities. Furthermore, we successfully restructured our contractor monitoring mechanisms. Our greatest challenge remains to protect these hard won gains by keeping the current spirit of excellence alive.

I want to take this opportunity to salute the brave men and women at RAL who sacrificially devoted their energies toward ensuring that RAL is put back on the permanent path of a rebound. It is through these dedicated employees that a solid culture of breakthrough performance was cultivated. Our good relationship with the private sector serves as valid proof that our efforts to strengthen the Agency's partnership environment is paying dividends. No private sector partner would want to associate with an organisation plagued by a history of mismanagement and negative publicity. Through improved cooperation with our strategic partners, RAL successfully raised close to half a billion Rands from partners. This is a huge achievement by any measure. We want to appreciate the support that we continue to receive from our valued strategic partners.

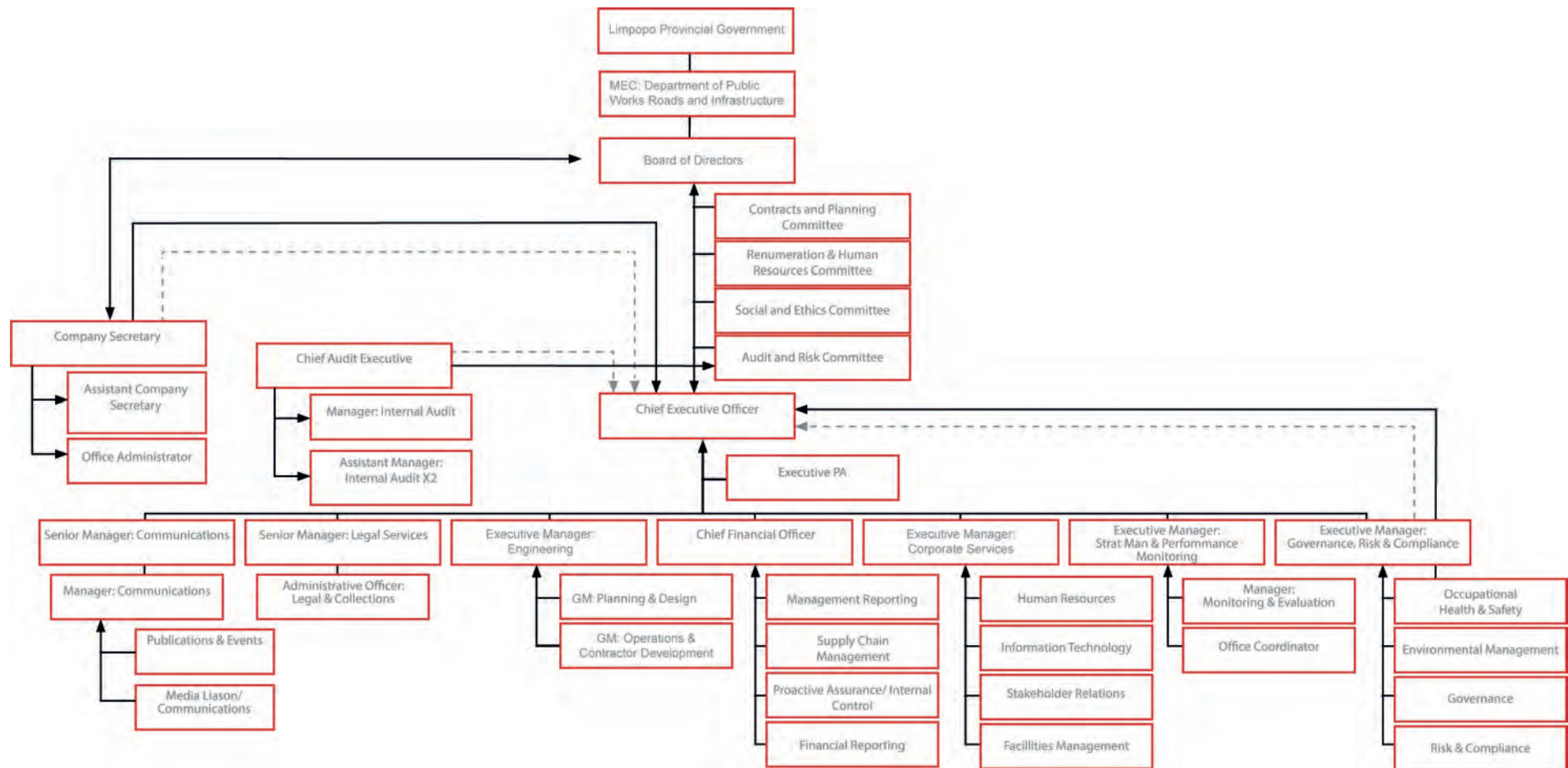
Their contributions go a long way in funding some of the most economically viable roads in the Province.

The economic and social significance of SMMEs to South Africa's developmental agenda is well-documented. The war against the triple crisis of poverty, inequality and unemployment cannot be won if affirmative measures to capacitate SMMEs continue to receive insignificant support from public entities such as ours. RAL believes that the time has fully come to walk the talk and take concrete action that effectively advance SMME development. As a good corporate citizen, RAL has the moral duty to assist the government in practically fulfilling its socio-economic transformation vision.

During the period under review, RAL proved that empowerment of SMMEs is central to its success. Throughout all construction projects, contractors were enforced to spend 30% of the total contract value to empower SMMEs. A further 10% was reserved for hiring local labourers. This is a permanent phenomenon that we cannot compromise on. Through these customised interventions, we have already created 553 full time equivalent jobs. In addition, 731 locals received accredited training in various construction related trades.

Lastly, I want to once again thank the Board, our partners, members of management and the employees for working diligently towards strengthening our performance environment.

RAL ORGANISATIONAL STRUCTURE





BOARD OF DIRECTORS



Mr. MS Ralebipi
Chairperson: RAL
Board of Directors



Mr. MP Matji
Chief Executive Officer



Ms TC Kekana
Company Secretary



Mr MPK Tshivhase
Board Member



Ms TM Ramabulana
Board Member



Ms WNG Moleko
Board Member



Mr XR Mulamula
Board Member



Mr MM Mkhacane
Board Member

EXECUTIVE MANAGEMENT



Mr. MP Matji
Chief Executive Officer



Mr. H Magopa
Acting Chief Financial Officer



Mr K Maphutha
Senior Manager: Risk
and Compliance



Dr C Ruiters
Executive Manager:
Engineering



Ms MJ Boshielo
Executive Manager:
Corporate Services



Ms TC Kekana
Company Secretary



Mr S Gamakulu
Executive Manager:
Monitoring and Evaluation



PART B | PERFORMANCE INFORMATION



1. SITUATION ANALYSIS

1.1 Service Delivery Environment

The province currently has 19 997 kilometres (km) of roads, of which 6 179 km is tarred and 13 818 km is gravel. The Agency obtains its revenue from the Provincial Road Maintenance Grant (PRMG), as well as equitable share. 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 secured strategic partnerships in an effort to raise additional funds to supplement its allocation.

Due to budgetary constraints, the road network in the Limpopo Province has been deteriorating. Insufficient funds for maintenance has led to a disintegration of roads. However, RAL endeavours to execute its mandate within the available financial resources. 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 facilitation of business transportation of goods and services, procuring goods and services from SMMEs in project areas, and employing local labour from affected communities.

The Board has approved the revised organogram of RAL in January 2017 to ensure that the Agency is attracting qualified and experienced employees. The purpose of revising the organogram was to make sure that RAL is well positioned to fulfil its service delivery mandate.

1.2 Key policy developments and legislative changes

There have been no significant changes to the institution's legislative and other mandates in the Financial Year under review, save for the introduction of the King IV Report on Corporate Governance at the end of the Financial Year.



2. PERFORMANCE INFORMATION

1. LEGISLATIVE AND REGULATORY PERFORMANCE REPORTING FRAMEWORK

The purpose of this report is to apprise RAL's stakeholders about the Agency's performance for the year under review and to report on the performance of the entity, as measured against the pre-determined objectives, as set out in the Strategic Plan and Annual Performance Plan (APP) for the 2017/18 Financial Year.

Section 195 of the constitution requires the government and its entities to use their resources efficiently, economically, and effectively, to run a developmental oriented public administration, to run an accountable public administration and provide timely, accessible and accurate information.

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) and article 28.2 of the Treasury Regulations 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.

2. PROGRESS ON NON-FINANCIAL PERFORMANCE TARGETS

In terms of the set annual targets which are outlined in the APP, there are specific areas in which the entity exceeded its targets and areas where there was under-performance. In the period from 1 April 2017 to 31 March 2018, a total of 75 targets were set. Out of 75 targets, fifty-four (54) were achieved and twenty-one (21) were not achieved.

PROGRAMME 1: ADMINISTRATION

The purpose of the programme is to provide the support required in order to effectively manage and deliver efficient service to the people of Limpopo.

GOAL 2: TO CREATE A CULTURE OF GOOD CORPORATE GOVERNANCE						
Sub-Programme: Legislative						
2.1	To comply fully with the applicable legislative requirements, rules, codes and standards. (Legislative) To develop communication Strategy. To update the shareholder of developments in all projects quarterly. (Shareholder)					
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
2.1.1	Strict adherence to statutory and regulatory requirements relevant to RAL business	All statutory and regulatory requirements relevant to RAL business complied with	All statutory and regulatory requirements relevant to RAL business complied with.	Achieved	None	None, Operational Task
2.1.2	Implementation of an effective contract management system	An effective contract management system developed	An effective contract management system developed.	Achieved	None	None, Operational Task
2.1.3	Effective legal advisory services maintained	4 Quarterly Status Reports on Resolution of Legal Matters	4 Quarterly Status Reports on Resolution of Legal Matters.	Achieved	None	None, Operational Task
Sub-Programme: Risk Management						
2.2	To maintain an effective, efficient and transparent system of financial, risk management and internal control.					
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
2.2.1	Risk Management process regulated	1	1	Achieved	None	None, Operational Task
2.2.2	Risk affecting performance identified by process owners	1	1	Achieved	None	None, Operational Task
2.2.3	Identified Risks mitigated	1	0	Not Achieved 50% of treatment plans for Strategic Risks have been addressed and 58.1% of treatment plans for Operational Risks have been addressed. Implementation of Enterprise Wide Risk Management has newly been introduced	Continue education, awareness and training.	None, Operational Task



PROGRAMME 1: ADMINISTRATION

				at RAL. However, there is significant progress towards maturity.		
Sub-Programme: Internal Audit						
2.3	To maintain a system of Internal Audit under the control and direction of the Audit and Risk Committee.					
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
2.3.1	Implementation of corrective action to rectify weaknesses identified by the Auditor General	100% of reported weaknesses rectified	91, 89% of reported weakness has been rectified.	Not Achieved: Some of the findings could only be rectified when submitting AFS for 2017/18 financial year. Financial constraint for late payment of invoices.	Develop a register of invoices and track payment period. Ensure that the AFS is reviewed by EXCO and ARC before finalisation.	None, Operational Task
2.3.2	Approved Fraud Prevention Plan	1 Approved Fraud Prevention Plan	1 Approved Fraud Prevention Plan.	Achieved	None	None, Operational Task
2.3.3	Fraud Awareness Programme implemented	1 Fraud Awareness Programme implemented	1 Fraud Awareness Programme Implemented.	Achieved	None	None, Operational Task
Sub-Programme: Internal Audit						
2.3	To create sustainable and effective ERM culture that improves the likelihood of achieving RAL Objectives.					
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
2.3.4	Annual Plan aligned to prioritised risk, statutory requirements, high and areas of significant financial and performance impact	Approved Annual Plan aligned to prioritised risks, statutory requirements high and areas of significant financial and performance impact	Approved Annual Plan aligned to prioritised risks, statutory requirements high and areas of significant financial and performance impact.	Achieved	None	None, Operational Task
2.3.5	Quarterly Reports on the implementation of the annual plan	4 quarterly reports on implementation of the annual plan	4 quarterly reports on implementation of the annual plan.	Achieved	None	None, Operational Task
2.3.6	Verification of quarterly performance targets reports	Verification of 50% of quarterly targets reported	Verification of 50% of quarterly targets reported.	Achieved	None	None, Operational Task
Sub Programme: Asset Management						
2.4	To implement, manage and monitor an effective and efficient asset management policy for roads infrastructure.					
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
2.4.1	A reviewed and updated road infrastructure asset register	1 Fixed Asset Register	1 Fixed Asset Register.	Achieved	None	None, Operational Task

PROGRAMME 1: ADMINISTRATION

2.4.2	A reviewed and updated non-infrastructure asset register	1 Fixed Asset Register	1 Fixed Asset Register.	Achieved	None	None, Operational Task
Sub Programme: Financial Management						
2.5	Ensure appropriate management of RAL budget in respect of capital projects, operational expenditure over MTEF.					
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
2.5.1	Clean Audit Report	1	0	Not Achieved: Audit is still on-going	None	None, Operational Task
2.5.2	Reduction in the value of Irregular Expenditure	0	Irregular expenditure, incurred in 2017/18 financial year, that is linked to previous transactions that have not being condoned amounts to R89 069 333.10	Not Achieved: The significant portion of irregular expenditure relates to historic tenders which are in the process of being condoned.	Improve internal controls to reduce irregular expenditure.	None, Operational Task
2.5.3	Reduction in the number of unresolved COF's for Finance & SCM during year-end audit	No unresolved COF's for Finance & SCM during year-end audit	In 2017/18 23 of 26(88.46%) findings were resolved.	Not Achieved: Some of the findings could only be rectified when submitting AFS 2017/18 financial year. Financial constraint for late payment of invoices.	Develop a register of invoices and track payment period. Ensure that the AFS is reviewed by EXCO and ARC before finalisation.	None, Operational Task
2.5.4	Capital projects expenditure spending within the budget	Capital expenditure as % of budget within 95% to 100%	During quarter 4 of 2017/18 120% of budget has been spent in relation to capital expenditure.	Not Achieved: Over-commitments on the upgrading projects led to expenditure of 7% above the budget for the year.	No new appointments will be made on capital projects unless additional funds are made available for those projects.	None, Operational Task
2.5.5	Operational expenditure spending within the budget	90% to 110%	107% of budget has been spent in relation to operational expenditure in 2017/18.	Achieved	None	None, Operational Task



Sub Programme: Financial Management						
2.6 Ensure appropriate management of RAL budget in respect of capital projects, operational expenditure over MTEF.						
No	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
2.6.1	Quarterly report on % expenditure in respect of Capital Projects, Operational Expenditure over MTEF submitted to the Board	4	4	Achieved	None	None, Operational Task
Sub Programme: Financial Management						
2.7 Review and update delegations						
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
2.7.1	RAL Delegations approved and reviewed annually	1	1	Achieved	None	None, Operational Task
Sub Programme: Procurement						
2.8 To procure goods and services according to RAL BBBEE targets.						
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
2.8.2	Procurement from BBBEE are within the regulation	% of expenditure that is procured from BBBEE	94.24% actual expenditure was procured from black owned companies. Quarter 4: R 8 968 064.72.	Achieved	None	None, Operational Task
Sub Programme: Procurement						
2.9 To ensure compliance with SCM policies.						
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
2.9.1	Deviation from the SCM regulations and policies	0%	A total of 07 (Seven) deviations have been approved and are as per relevant Treasury regulations.	Not Achieved: Extension of contracts, sourcing from sole service provider and emergencies.	Revise the performance target to ensure that it only talks about the deviations that do not comply with Treasury Regulations.	None, Operational Task

PROGRAMME 1: ADMINISTRATION

Sub Programme: Human Resources Management						
2.1 To create and maintain effective organisational structure.						
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
2.1.1	Updated and approved Organisational Structure	Approved Structure	Approved Structure	Achieved	None	None, Operational Task
2.1.2	Number of filled Vacancies	Filled positions	Filled positions	Achieved	None	None, Operational Task
2.1.3	Reviewed and approved HR Policy Framework	Reviewed and approved HR Policy Framework	Reviewed and approved HR Policy Framework	Achieved	None	None, Operational Task
2.1.4	Approved HR Training Plan	Approved HR Training Plan	Approved HR Training Plan	Achieved	None	None, Operational Task
2.1.5	Approved 5-year Employee Equity Plan	Approved 5-year Employee Equity Plan	Approved 5-year Employee Equity Plan	Achieved	None	None, Operational Task
2.1.6	Successful quarterly PMS reviews completed PMS instruments	Successful quarterly PMS reviews completed PMS instruments	Successful quarterly PMS reviews completed PMS instruments	Achieved	None	None, Operational Task
2.1.7	Conducting annual remuneration surveys and benchmarking to achieve competitive remuneration	Conducting annual remuneration surveys and benchmarking to achieve competitive remuneration.	Annual remuneration surveys and benchmarking to achieve competitive remuneration not conducted.	Not Achieved: A delay was experienced in the procurement process of a service provider to conduct the survey.	The remuneration survey will commence on the third quarter of the 2018/19 FY.	R 114 000.00
2.1.8	Established Effective Employee Wellness Programme	Established Effective Employee Wellness Programme	Effective Employee Wellness Programme not established.	Not Achieved: No suitable Service Provider responded to the Bid.	Appoint a Service Provider for a three-year period during the 2018/19 FY.	None, Operational Task
2.1.9	Well-maintained building facilities and availability of office space and tools of trade	Well-maintained building facilities and availability of office space and tools of trade	Well-maintained building facilities and availability of office space and tools of trade	Achieved	None	None, Operational Task
2.1.10	To comply fully with all statutory requirements for health and safety	Complied with all statutory requirements for health and safety relevant to RAL business	Not complied with all statutory requirements for health and safety relevant to RAL business	Not Achieved: In the process of appointing an external Service to conduct OHS audit on the RAL's building and SCM is busy handling the process. In addition, we are in the	Appoint a Service Provider during the 2018/19 FY.	None, Operational Task



PROGRAMME 1: ADMINISTRATION

				process of ensuring that all legal appointments are made as per the OHS Act.		
Sub-Programme: Communication						
2.1	To develop a Communication Strategy.					
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
2.1.1	Approved Communications Strategy and Implementation Plan	Approved Communications Strategy	Approved Communications Strategy.	Achieved	None	None, Operational Task
2.1.2	Implementation of approved Stakeholder Management Plan	Approved Stakeholder Management Plan	Approved Stakeholder Management Plan.	Achieved	None	None, Operational Task
2.1.3	Signed strategic partnerships agreements with private sector	5 concluded Agreements with Strategic Partners	6 concluded Agreements with Strategic Partners.	Over Achieved: 1 agreement with Strategic Partner was signed earlier than planned	None	None, Operational Task
2.1.4	Published 2016/17 Annual Report	1 published Annual Report	1 published Annual Report.	Achieved	None	None, Operational Task
2.1.5	External Newsletter published quarterly and distributed to stakeholders	Published and distributed external Newsletter	Published and distributed external Newsletter.	Achieved	None	None, Operational Task
2.1.6	Operational Intranet and Website updated regularly	Updated and interactive website and intranet	Updated and interactive website and intranet.	Achieved	None	None, Operational Task
Sub Programme: Information Technology						
2.1	To implement and maintain IT Strategy as a control framework.					
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
2.1.1	1 Approved IT Strategy and Implementation Plan	Approved IT Strategy and Implementation Plan	Approved IT Strategy and Implementation Plan.	Achieved	None	None, Operational Task
2.1.2	Approved IT Risk Register	1 Approved IT Risk Register	1 Approved IT Risk Register.	Achieved	None	None, Operational Task
2.1.3	Approved IT Disaster Recovery Plan	1 Approved Disaster Recovery Plan	1 Approved Disaster Recovery Plan.	Achieved	None	None, Operational Task
2.1.4	Approved Knowledge and Records Management Plan	1 Approved Knowledge and Records Management Plan	1 Approved Knowledge and Records Management Plan.	Achieved	None	None, Operational Task

PROGRAMME 1: ADMINISTRATION

PROGRAMME 1: ADMINISTRATION						
GOAL 3: TO FACILITATE AND MAINTAIN THE CONSOLIDATION OF RESOURCES TO STIMULATE ECONOMIC GROWTH THROUGH PARTNERSHIPS						
3.1 To secure donor funding through Strategic Partnerships from Public and Private Sector.						
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
3.1.1	Total number of Agreements	5	6	Achieved: 2 more agreements with Strategic Partners were signed earlier than planned.	None	None, Operational Task
3.1.2	Total amount secured from public sector	R45 000 000	R39 450 493	The annual output is the actual amount paid by the public-sector partners (i.e. Eskom Medupi Power Station and North West Department of Public Works and Roads) in the 2017/18 FY.	Negotiation arrangements to be aligned to the financial year.	None, Operational Task
3.1.3	Total amount secured from other private sector	R150 000 000	R133 286 000	Over Achieved: The annual output is the actual amount paid by private sector partners (i.e. PPC Cement, Exxaro Resources, Marula Platinum, Anglo American Platinum, Bertie Van Zyl BPK ("ZZZ") and De Beers Venetia Limited) in the 2017/18 FY.	None	None, Operational Task
3.2 To enhance research and development and innovation initiatives that support road infrastructure delivery.						
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
3.2.1	Total number of agreements with Universities	4	0	Not Achieved: Negotiations with strategic partners are at an advanced stage to secure funding.	Negotiation arrangements to be aligned to the financial year	None, Operational Task
3.2.2	Total number of agreements signed with Research Councils	4	0	Not Achieved: There are ongoing negotiations with University of Stellenbosch. It will be concluded in 2018/19 FY.	Negotiation arrangements to be aligned to the financial year	None, Operational Task
3.2.3	Functional R&D and Innovation Programmes	3	0	Not Achieved: Existing partnership with the CSIR will be explored to identify other areas	Negotiation arrangements to be aligned to	None, Operational Task



PROGRAMME 1: ADMINISTRATION

				of R & D and innovation in the road construction.	the financial year	
3.3	To raise finance for road infrastructure upgrade and partnerships for asphalt plant or aggregates.					
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
3.3.1	Alternative financing for road infrastructure upgrade	1	0	Not Achieved: Most financiers prefer debt financing. Currently, listing of RAL in the PFMA prohibits it from raising debt.	Going forward it will focus on donations	None, Operational Task
3.3.2	Alternative financing for asphalt plant or aggregates	1	0	Not Achieved: Most financiers prefer debt financing. Currently, listing of RAL in the PFMA prohibits it from raising debt.	Incentive based partnerships will be considered.	None, Operational Task

PROGRAMME 1: ADMINISTRATION						
GOAL 4: TO CREATE AND MAINTAIN AN EFFECTIVE AND EFFICIENT ORGANISATIONAL STRUCTURE						
4.1	To implement and maintain IT Strategy as a control Framework (Information Management)					
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
4.1.1	IT Strategy implementation plan submitted to Board	1	1	Achieved	None	None, Operational Task
4.1.2	Number of quarterly reports on implementation of IT Strategy submitted to Board	4	4	Achieved	None	None, Operational Task

TRANSPORT INFRASTRUCTURE: PROGRAMME 2

The purpose of the programme is to promote accessibility and the safe affordable movement of people, goods and services through the delivery and maintenance of Roads infrastructure that is sustainable, integrated and environmentally sensitive, and supports economic growth of the Province.

PROGRAMME 2: GOAL 1 TO ENSURE EFFECTIVE ROAD MANAGEMENT						
Sub-Programme: Planning and Design						
1.1	To identify, prioritise, plan and design sustainable road infrastructure projects in an annual basis.					
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
1.1.1	RAL approved Project List – 2018/19 FY	1	1	Achieved	None	None, Operational Task
1.1.2	Developing of project designs -2017/18 FY	16	20	Over Achieved: Due to demand and approved projects for implementation.	None	None, Operational Task
1.1.3	Updating the Upgrading Master Plan annually	Report	Report	Achieved	None	None, Operational Task
1.1.4	Conducting visual assessments on all paved roads (6 075km) annually	Report	Report	Achieved	None	None, Operational Task
1.1.5	Conducting visual assessments on all gravel roads (14 118km) every 3 years as required by DORA	Report	Report	Achieved	None	None, Operational Task
1.1.6	Conducting visual assessments on all bridges roads (733) every 5 years as required by the DORA	Report	Report	Achieved	None	None, Operational Task
1.1.7	Updating the Maintenance Plan	Report	Report	Achieved	None	None, Operational Task
Sub-Programme: Construction & Operations						
1.2	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.					
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
1.2.1	Number of km of gravel roads surfaced	99	88.32	Not Achieved: The actual weather pattern was not the same as the predicted	In future, reliability of the output of prediction model will be verified.	R222.29m
1.2.2	Number of lane km of surfaced roads rehabilitated	58	28.84			R7.50m



TRANSPORT INFRASTRUCTURE: PROGRAMME 2

1.2.3	Number of (square meters) m ² of surfaced roads resealed	450 000	214 312	one. Some projects had delays as a result of stoppages by community members.	Strengthen relationships with affected communities.	R7.50m
1.2.4	Number of bridges completed	4	6	Over Achieved: Over achievement was as a result of disaster related projects that were fast tracked.	None	R138.51m
2.2.5	Conduct quality assurance audits (independent) on all completed projects 2016/17 projects	1 Report	0 Report	Not Achieved: A Service provider could not be appointed due to a delay in procurement process.	Service provider to be appointed in the first quarter of the 2018/19 financial year.	None, Operational Task
Sub-Programme: Land Use Management						
1.3	To manage, control and protect the use of road reserves and building restriction areas continuously.					
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
1.3.1	Number of applications processed (in compliance with RAL Standards)	460	508	Over Achieved: This is a demand-driven indicator. All application received were approved.	This is a demand-driven indicator. All application received were approved.	None, Operational Task
1.3.2	Development and updating of policy on the management of roads reserves	1 Report	1 Report	Achieved	None	None, Operational Task
Sub-Programme: Safety, Health and Environment (SHE)						
1.4	To ensure compliance to safety, health and environmental management legislations.					
No.	Performance Indicator	Annual Target	Annual Output	Reasons Variance for	Planned Interventions	Expenditure per Target
1.4.1	Number of S.H.E Compliance reports submitted (in compliance with RAL standards)	4	4	Achieved	None	None, Operational Task
1.4.2	Development and updating of borrow pit management policy	1	1	Achieved	None	None, Operational Task

TRANSPORT INFRASTRUCTURE: PROGRAMME 2

PROGRAMME 2: TRANSPORT INFRASTRUCTURE						
GOAL 3: TO PROMOTE AND MANAGE STAKEHOLDER RELATIONS.						
Sub-Programme: Stakeholders Relations						
3.1 To consult stakeholders (traditional authorities, communities) on all planned projects						
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
3.1.1	Quarterly Stakeholders Consultation Reports	4	4	Achieved	None	None, Operational Task
PROGRAMME 2: TRANSPORT INFRASTRUCTURE						
GOAL 5: TO SUPPORT EMPLOYMENT, GROWTH AND DEVELOPMENT STRATEGY OF THE PROVINCE.						
Sub-Programme: Job Creation						
5.1 To create job opportunities in accordance with EPWP guidelines on all contracts annually						
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
5.1.1	Number of FTE (Full Time Equivalent) Jobs created	457	553	Over Achieved: Over-achievement was as a result of additional contribution from private sector partners. The annual output was independently verified by external auditors.	None	R8.53m
5.1.2	Amount (Rands) spent on employing labour	R25m	R34.905m	Over Achieved: Over-achievement was as a result of additional contribution from private sector partners. The annual output was independently verified by external auditors.	None	R8.53m
Sub-Programme: Empowerment						
5.2 To promote the development of SMME's on all contracts annually.						
No.	Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
5.2.1	Update database for emerging contractors annually	1	1 Report	Achieved	None	None, Operational Task
5.2.2	Amount paid to SMME Contractors and Sub-Contractors	R115m	R142.18m	Over Achieved: Over-achievement was as a result of additional contribution from private sector partners. The annual output was	None	R27.18m



TRANSPORT INFRASTRUCTURE: PROGRAMME 2

				independently verified by external auditors.		
Sub-Programme: Training						
5.3	To ensure training of locally based workers in all contracts on an on-going basis.					
5.3.1	Number of local workers trained	480	731	Over Achieved: Training was fast tracked in Q4. The annual output was independently verified by external auditors.	None	R1.89m

NB: The following Sub-programme Strategic Objectives were added to the Annual Performance Report because they were not included in the Annual Performance Plan:

2.3 To maintain a system of Internal Audit under the control and direction of the Audit and Risk Committee.

2.1 To create and maintain effective organisational structure.

2.1 To develop a Communication Strategy.

2.1 To implement and maintain IT Strategy as a control framework.

Roads Agency Limpopo (SOC) Ltd

ANNUAL REPORT PERFORMANCE INFORMATION: 01 April 2017 to 31 March 2018

OFFICIAL SIGN OFF

It is hereby certified that this Consolidated Performance Information:

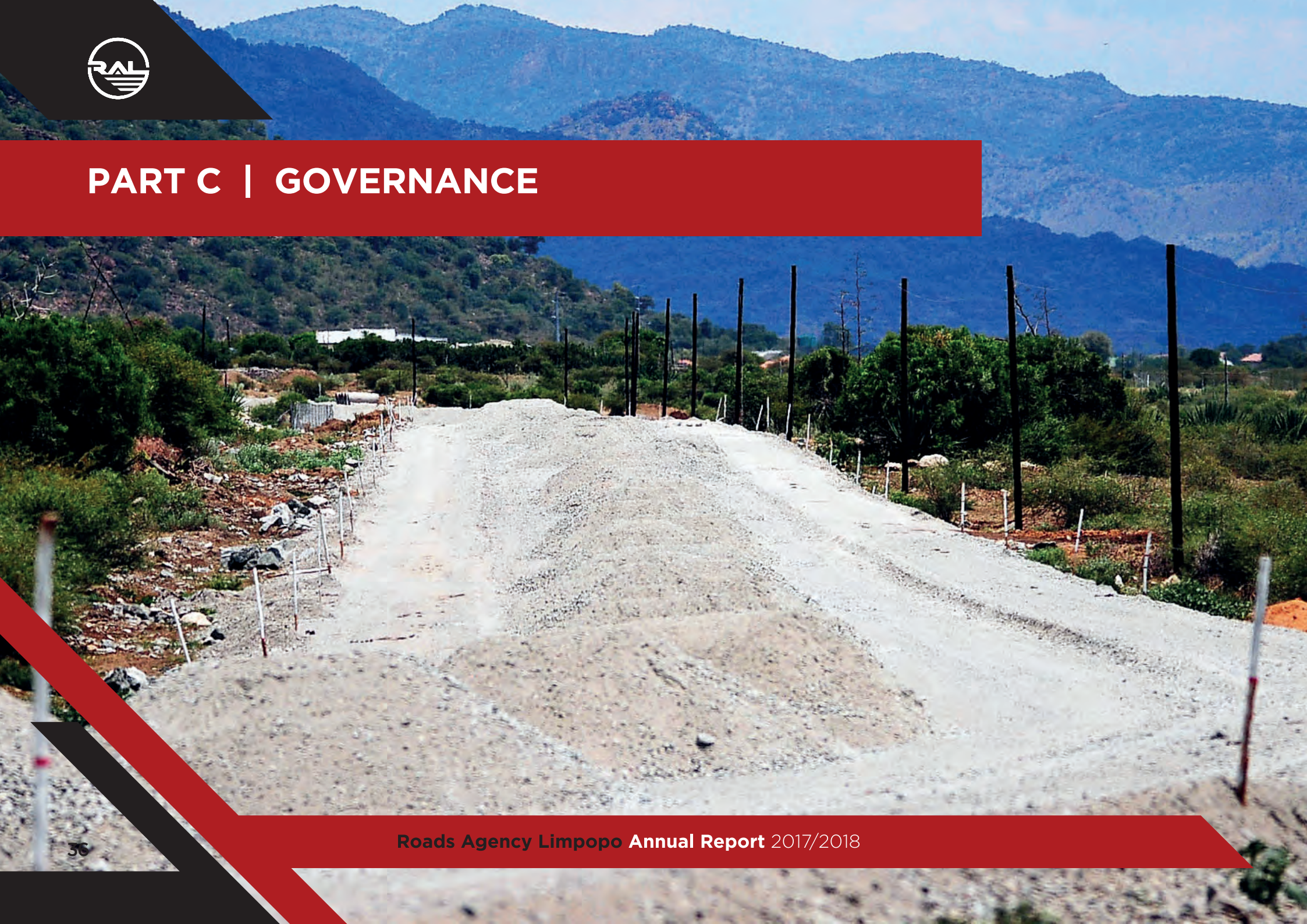
- Was developed by the management of Roads Agency Limpopo under the guidance of the Chief Executive Officer,
- Was prepared in line with the approved Quarterly Performance Reports for the Financial Year 2017/18,
- Was verified by the Chief Executive Officer and found reliable, accurate, complete and valid.



MASELAGANYE PETRUS MATJI *PR. CPM*
CHIEF EXECUTIVE OFFICER



PART C | GOVERNANCE



2. PERFORMANCE INFORMATION

1. CORPORATE GOVERNANCE

The Board of Directors, with the assistance of the Company Secretary is responsible 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 predetermined 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

requirements were complied with during the period under review.

4. THE ACCOUNTING AUTHORITY / BOARD

The Role of the Board

Board Members shall act jointly as a collective 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 utmost care and due diligence in discharging their duties and to avoid conflict of interest and declare any such conflict when it arises, and to account for any advantages gained in discharging their duties on behalf of RAL. Board Members shall act with integrity and shall not misuse their positions to derive personal benefits in the scope of their directorship.

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



5. COMPOSITION OF THE BOARD 2017/18

Names	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee /Ministerial task team)	No. of Meetings Attended
Mr. MS Ralebipi	Chairperson of the Board	01/04/14	n/a	<ol style="list-style-type: none"> 1. BCom Accounting 2. Higher Diploma in Computer Accounting 3. CRISC 4. Certificate in Strategic Leadership 	<ul style="list-style-type: none"> • Finance & Auditing 	Roads Agency Limpopo	Nominations	6 Board meetings 1 Nominations committee meeting 1 AGM 1 Special General Meeting
Mr. XR Mulamula	Board member i.t.o Section 12 (3) Representing Provincial Treasury	01/04/16	n/a	<ol style="list-style-type: none"> 1. NQF7 Governance and Administration 2. Post-Graduate Diploma (Business Administration) 3. Certificate in Public Management & Leadership (USA) 	<ul style="list-style-type: none"> • Corporate Governance 	Roads Agency Limpopo	<ul style="list-style-type: none"> • Planning & Contracts • Social & Ethics 	5 Board meetings 2 Planning & contracts committee meetings 1 AGM 1 Special General Meeting
Adv. JR Bilankulu		01/10/16	02/02/18	<ol style="list-style-type: none"> 1. BProc 2. LLB 3. Diploma: Legislation Drafting 4. Diploma: Drafting & Interpretation of Contracts 	<ul style="list-style-type: none"> • Law 	Roads Agency Limpopo	<ul style="list-style-type: none"> • HR & Remunerations • Social & Ethics 	4 Board meetings 2 REMCO meetings 1 AGM 1 Special General Meeting
Mr. MPK Tshivhase	Independent Director	20/05/15	n/a	<ol style="list-style-type: none"> 1. B. Iuris 	<ul style="list-style-type: none"> • Law 	Roads Agency Limpopo	<ul style="list-style-type: none"> • HR & Remunerations • Social and Ethics 	5 Board meetings 3 REMCO meetings 1 AGM 1 Special General Meeting

COMPOSITION OF THE BOARD 2017/18

Names	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 T. M. Ramabulana	Independent Director	02/02/18	n/a	<ol style="list-style-type: none"> 1. B.A. (Social Science); 2. Cert. Marketing; 3. Dip. Personnel & Training; 4. Dip. Labour Law 5. MDPt Man 	<ul style="list-style-type: none"> • Social Science. • Human Resources 	Roads Agency Limpopo	<ul style="list-style-type: none"> • Nominations Committee • HR & Remunerations • Contracts and Planning 	2 Board meetings
Mr M. M. Mkhacane	Board Member i.t.o section 12(3)	19/02/18	n/a	<ol style="list-style-type: none"> 1. BTech Civil: Urban Eng.; 2. HCert. Project Man 	<ul style="list-style-type: none"> • Civil Engineering 	Roads Agency Limpopo	<ul style="list-style-type: none"> • Finance • HR & Remunerations 	2 Board meetings
Ms. W.N.G Moleko	Independent Director	01/04/14	n/a	<ol style="list-style-type: none"> 1. BA Education 2. BA (Hons) 3. Master of Arts 4. PostGrad Diploma in Telecommunications and Information Policy 5. Monitoring and Evaluation Course 6. Technology in Distance Education and E-learning Course 	<ul style="list-style-type: none"> • Human Resources • Education 	Roads Agency Limpopo	<ul style="list-style-type: none"> • HR & Remunerations • Contracts and Planning 	5 Board meetings 4 REMCO meetings 1 AGM 1 Special General meeting
Ms. M.H Kekana	Independent Director	01/04/14	02/02/18	<ol style="list-style-type: none"> 1. Diploma (Building Science) 2. BTech (Quality Surveying) 3. Project Management Certificate 4. Project Management: Professional Preparation Workshop 5. Microsoft Project Skills Management 6. Management Development Programme 	<ul style="list-style-type: none"> • Quantity Survey • Monitoring & Evaluation 	Roads Agency Limpopo	<ul style="list-style-type: none"> • Contracts & Planning • Committee 	6 Board meetings 2 Planning & contracts committee meetings 1 AGM 1 Special General meeting



COMPOSITION OF THE BOARD 2017/18

Names	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. MP Matji	CEO	01/03/15	n/a	<ol style="list-style-type: none"> 1. MBL (Corporate Strategy) 2. Msc (Engineering Science) (Civil) 3. Bsc (Hons) (Computational Fluid Dynamics) 4. Bsc (Applied Maths & Physics) 5. MAP 6. Diploma: Business Management 7. Pr. Nat.Sci 8. Pr.CPM 	<ul style="list-style-type: none"> • Infrastructure Planning and Management • Business Leadership & Management 	Roads Agency Limpopo		7 Board meetings 8 Audit & Risk committee meetings 4 REMCO meetings 2 Planning & contracts committee meetings 1 AGM 1 Special General meeting
Ms. MG Mokoka	Audit & Risk Committee Chairperson	20/11/15	n/a	<ol style="list-style-type: none"> 1. BCom (Accounting) 2. BCom (Hon) 3. PostGrad Diploma in Management (Financial) 4. PostGrad Diploma (Auditing) 	<ul style="list-style-type: none"> • Chartered Accountant specialising in Financial Management 	Roads Agency Limpopo	Audit & Risk Committee	9 Audit & Risk committee meetings 2 Board meetings 1 AGM 1 Special General meeting
Mr. GM Maluleke	Audit & Risk Committee Chairperson	20/11/15	n/a	<ol style="list-style-type: none"> 1. BCompt 2. BCompt (Hons) 3. Certificate in Mining Taxation 4. Certificate in Theory Accountancy 5. Diploma in Insolvency Law and Practice 	<ul style="list-style-type: none"> • Chartered Accountant specialising in Financial Management 	Roads Agency Limpopo	Audit & Risk Committee	8 Audit & Risk committee meetings
Mr. Z Samsam	Audit & Risk Committee Chairperson	20/11/15	n/a	<ol style="list-style-type: none"> 1. BCom 2. PostGrad Diploma in Accountancy 3. Advanced Certificate in Auditing 	<ul style="list-style-type: none"> • Chartered Accountant specialising in Financial Management 	Roads Agency Limpopo	Audit & Risk Committee	8 Audit & Risk committee meetings

REMUNERATION OF THE BOARD

Names	Remuneration	Other Allowances	Other Re-imburements	Total
Mr. MS Ralebipi	759 000	-	-	759 000
Ms. WNG Moleko	329 000	-	-	329 000
Ms. MH Kekana	321 000	-	-	321 000
Mr. MPK Tshivhase	329 000	-	-	329 000
Ms TM Ramabulana	8 000	-	-	8 000
Ms. MG Mokoka	209 000	-	-	209 000
Mr. Z Samsam	198 000	-	-	198 000
Mr. GM Maluleke	172 000	-	-	172 000

COMMITTEES OF THE BOARD

Committee	No. of meetings held	No. of members	Name of members
Audit and Risk	9	3	Ms M Mokoka, Mr G Maluleke, Mr Z Samsam
Human Resources and Remuneration	4	3	Ms WNG Moleko, Mr MPK Tshivhase, Mr MM Mkhacane
Contracts and Planning	2	3	Ms WNG Moleko, Mr XR Mulamula, Ms TM Ramabulana
Nominations Committee	1	3	Mr MS Ralebipi, Ms WNG Moleko, Ms TM Ramabulana
Finance Committee	0	3	Mr G Maluleke, Mr MM Mkhacane, Ms M Mokoka
Social and Ethics	1	3	Mr MPK Tshivhase, Mr G Maluleke, Mr XR Mulamula



6. RISK MANAGEMENT

The Board of Directors, as the authority accountable to the shareholder for the affairs of RAL, concerns itself with risk management. In this regard, a process of risk management that is aligned to the principles of good corporate governance, as supported by the Public Finance Management Act (PFMA), Act 1 of 1999, as amended, is subscribed to.

Risk management is recognised as an integral part of responsible corporate citizenship, as espoused in Principle 11 of the King IV Report on Corporate Governance for South Africa, 2016 (“King IV Report”). RAL has adopted an integrated enterprise-wide risk management approach, which entails identifying, evaluating and monitoring risks associated with the nature of the business of RAL, and employing appropriate treatment plans to mitigate the probability of the risks materialising.

The position of Senior Manager: Risk and Compliance has been newly created by the entity as part of its commitment to risk management, and the incumbent, Mr. Komane Maphutha, assumed his duties with effect from 1st March 2017. The features of this process are outlined in the Agency’s Risk Management Strategy. All risk owners responsible for the strategic, operational and fraud risks are expected to employ all their endeavours to ensure that risks are mitigated to reduce the likelihood of those risks materialising.

The creation of this unit was necessitated by the provisions of section 51(1) of the Public Finance Management Act, which requires the accounting authority (the Board of Directors) for a public entity to ensure that the entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control. Regulation 27.2 of the Treasury Regulations also requires that the Board of Directors ensures that risk assessment is conducted on a regular basis to identify emerging risks of the public entity, and to then develop a risk management strategy, which incorporates a fraud prevention plan, to mitigate risk and to deter fraud.

Effective risk management is imperative to the Agency to fulfill its mandate and the service delivery expectations of the public and the performance expectations within the Agency. To this end, a risk management strategy, as well as a fraud prevention and anti-corruption policy have been developed and approved by the Board of Directors.

The realization of our strategic plan depends on RAL being able to take calculated risks in a way that does not jeopardize the direct interests of stakeholders. Sound management of risk will enable RAL to anticipate and respond to changes in our service delivery environment, as well as make informed decisions under conditions of uncertainty.

During the reporting period, the newly created Enterprise-wide Risk and Compliance unit has successfully managed to show exponential growth from an infancy level to maturity within one financial year. The unit has identified all strategic and operational risks and developed registers for the two classes of risks that have the potential to affect RAL, and mitigating measures have been put in place to reduce the exposure of RAL to these risks, in order to reduce the likelihood of this risks occurring.

The unit reported to the Audit & Risk Committee, on a quarterly basis, on the management of identified risks, as well as the effectiveness of the treatment plans that have been put in place to mitigate those risks.

7. PROACTIVE ASSURANCE AND INTERNAL CONTROL UNIT

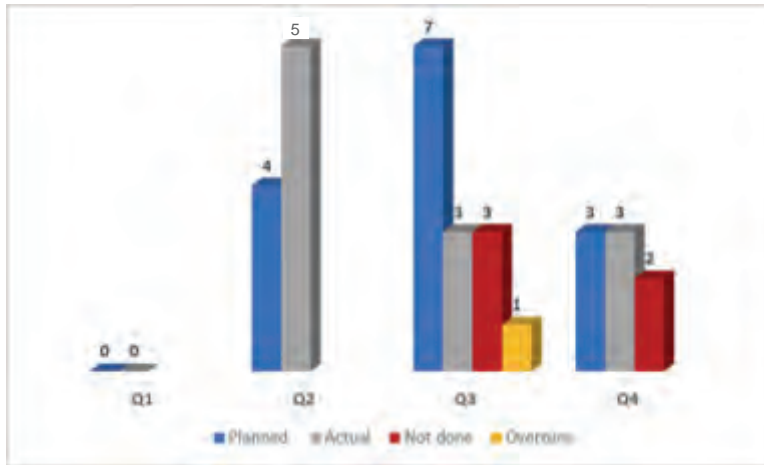
Housed in the Finance unit of RAL, is the Proactive Assurance and Internal Control division which provides assurance, ensures that the Auditor-General Audit Action Plan is adhered to and that findings raised in the external audit are resolved. Also performed in the division, is the function of ensuring that in procuring goods and services, the procurement checklist is complied with. In order to meet its responsibility with respect to providing reliable financial information, RAL maintains financial and operational systems of internal control.

These controls are designed to provide reasonable and reliable assurance that transactions are concluded in accordance with prescribed legislative and regulatory requirements, that the assets are adequately safeguarded against material loss resulting from unauthorised acquisition, use, or disposal and those transactions are properly authorised and recorded.

INTERNAL AUDIT

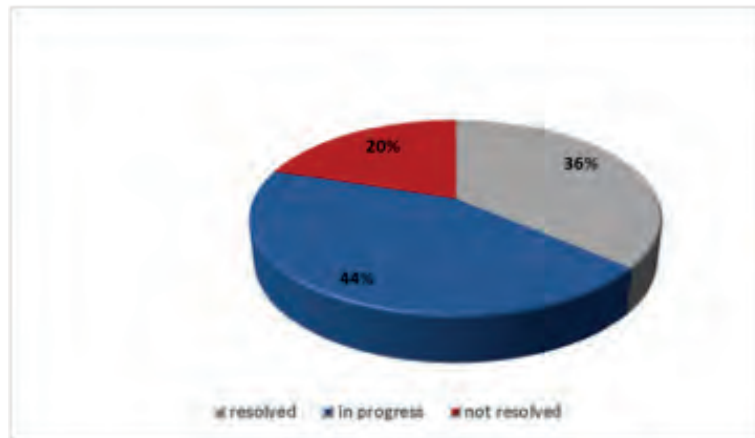
RAL's Internal Audit Unit works closely with the Proactive Assurance and Risk Management Units in order to ensure a combined assurance model that is risk-based and integrated. The Internal Audit Unit is governed by its charter which is reviewed and concluded with the Audit & Risk Committee of the Board of Directors on an annual basis. In addition to the Internal Audit Charter, the activities of the unit are set out in the 5 Year Rolling Internal Audit Plan, and for the financial year under review, an annual Internal Audit Plan was approved by the Audit & Risk Committee.

In terms of the Internal Audit Plan for the 2017/18 financial year that was approved at the commencement of the year, fourteen (14) Internal Audit projects were planned. However, only eleven (11) have been finalised and three (3) projects have been deferred to 2018/2019 financial year.



IMPLEMENTATION

Eighty (80) findings were reported in previous audits, twenty-nine (29) of which have been resolved during the year and thirty-five (35) are in progress. The implementation rate is thirty-six (36%) percent. Management has commenced with processes/action to resolve the reported findings.



The Internal Audit unit has performed an independent overall assessment of internal controls, in terms of which a statement was issued that the controls are adequate, albeit not effective enough.

During the 2017/18 financial year the unit adhered to the Institute of Internal Auditors (IIA) Standards and Code of Ethics. The unit submitted activity reports to the Audit & Risk Committee on a quarterly basis.

AUDIT & RISK COMMITTEE

The Audit & Risk Committee exercised an oversight and monitoring function, as required by its Terms of Reference. The Committee held its quarterly sittings for the purpose of considering all statutory submissions to the shareholder and to the Limpopo Provincial Treasury.

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. The regulatory framework comprises the King IV Code, Treasury Regulations, and the Protocol on Corporate Governance in the Public Sector. RAL has the responsibility to comply with all applicable laws and regulations.

8. FRAUD AND CORRUPTION

Roads Agency Limpopo use the Premier's Fraud and Corruption hotline, which is a platform on which concerns relating to fraud and breaches of ethical codes can be reported. The Hotline is a telephonically operated tool which employees and concerned citizens can freely use to report any fraud and corruption activities on an anonymous basis. This hotline has been effective since 2011, and the hotline number is 0800 864 729.

Furthermore, the Agency, in its procurement processes, continues, to give due regard to the provisions set out in the Public Finance Management Act of 1999, Treasury Regulations and Framework for Supply Chain Management and related pieces of legislation.

The Fraud Prevention and Anti-Corruption Policy approved by the Board of Directors, was implemented throughout the financial year being reported on.

9. MINIMISING CONFLICT OF INTEREST

The approved Conflict of Interest Policy has been uploaded on the intranet of RAL, for ease of reference by all employees and forms are circulated to employees at the commencement of each financial year requesting employees to declare any direct or direct personal financial interest they may have in the business of RAL. In addition to the annual declarations of interest, employees are required to declare any personal

financial interest, as and when such interest arises. All declarations made by employees must be submitted to the Chief Executive Officer for approval, and the Chief Executive officer submitted his declaration for approval to the Board of directors.

10. CODE OF CONDUCT

RAL operates on a solid policy platform that covers all areas of the Agency. The Board pays attention to the effectiveness and relevance of policies, considering all policies before implementation, including ensuring that management complies with relevant laws and regulations. The Social and Ethics Committee of the Board of Directors has been entrusted with the responsibility of ensuring that employees adhere to the approved code of conduct and that employees conduct themselves in an ethical manner in the scope of their employment.

11. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

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



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

12. COMPANY SECRETARY

Ms T.C. Kekana is the appointed Company Secretary of Roads Agency Limpopo.

13. SOCIAL RESPONSIBILITY

The Agency offers bursaries to disadvantaged students pursuing Civil Engineering and Construction related qualifications and Learnership Programme. Upon completion of their studies, bursary holders are offered an opportunity for experiential training. Where possible the Agency has been able to absorb some graduates, who were part of the learnership programme and who have successfully completed their studies.

Furthermore, RAL requires that on every road infrastructure construction project, 30% of the contract value is awarded to local SMMEs and that the contractor employs labour from communities in the project area. The local labourers and SMMEs

are equipped with invaluable skills, through training programmes facilitated by RAL, through accredited skills transfer programmes.

14. AUDIT & RISK COMMITTEE REPORT

The Audit & Risk Committee is pleased to present its report for the financial year ended 31 March 2018. The Committee has adopted appropriate formal terms of reference which are outlined in the Audit Committee Charter. The Committee has discharged its fiduciary duties in conformity with this charter and has executed all its delegated responsibilities as contained therein namely:

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

15. Audit & Risk Committee Members:

The Audit & Risk Committee consisted of the independent members listed hereunder. The Committee convened 9 meetings during the 2016/17 financial year. The Audit & Risk Charter requires that the Committee meets at least 4 times per annum, to ensure that all the statutorily required submissions that have to be submitted on a quarterly basis, are considered and approved prior to submission.

Name of member	Number of meetings attended
Ms. M.G. Mokoka <i>Independent Chairperson: Audit & Risk Committee</i>	9
Mr. G.M. Maluleke <i>Independent Audit & Risk Committee Member</i>	8
Mr. Z. Samsam <i>Independent Audit & Risk Committee Member</i>	8

Audit & Risk Committee Responsibility

The Audit & Risk Committee reports to have adopted appropriate formal terms of reference in its charter, in conformity with the provisions of Principle 8, Recommended Practice 51-59 of the King IV Code of Corporate Governance and section 94 of the Companies Act 71 of 2008.

The Committee exercised oversight over the effectiveness of the internal controls, assurance functions, as well as the integrity of the Annual Financial Statements and Annual Performance Report.

Furthermore, the Committee monitored the governance of financial, operational and strategic risks of RAL.



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

- Reviewing competence and qualifications of the Internal Audit Function, including reviewing and concurring with the 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

We have:

- 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 the International Marketing Council compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.

Auditor General of South Africa

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

A handwritten signature in black ink, appearing to be 'M.G. Mokoka', is written over a horizontal line. The signature is stylized and cursive.

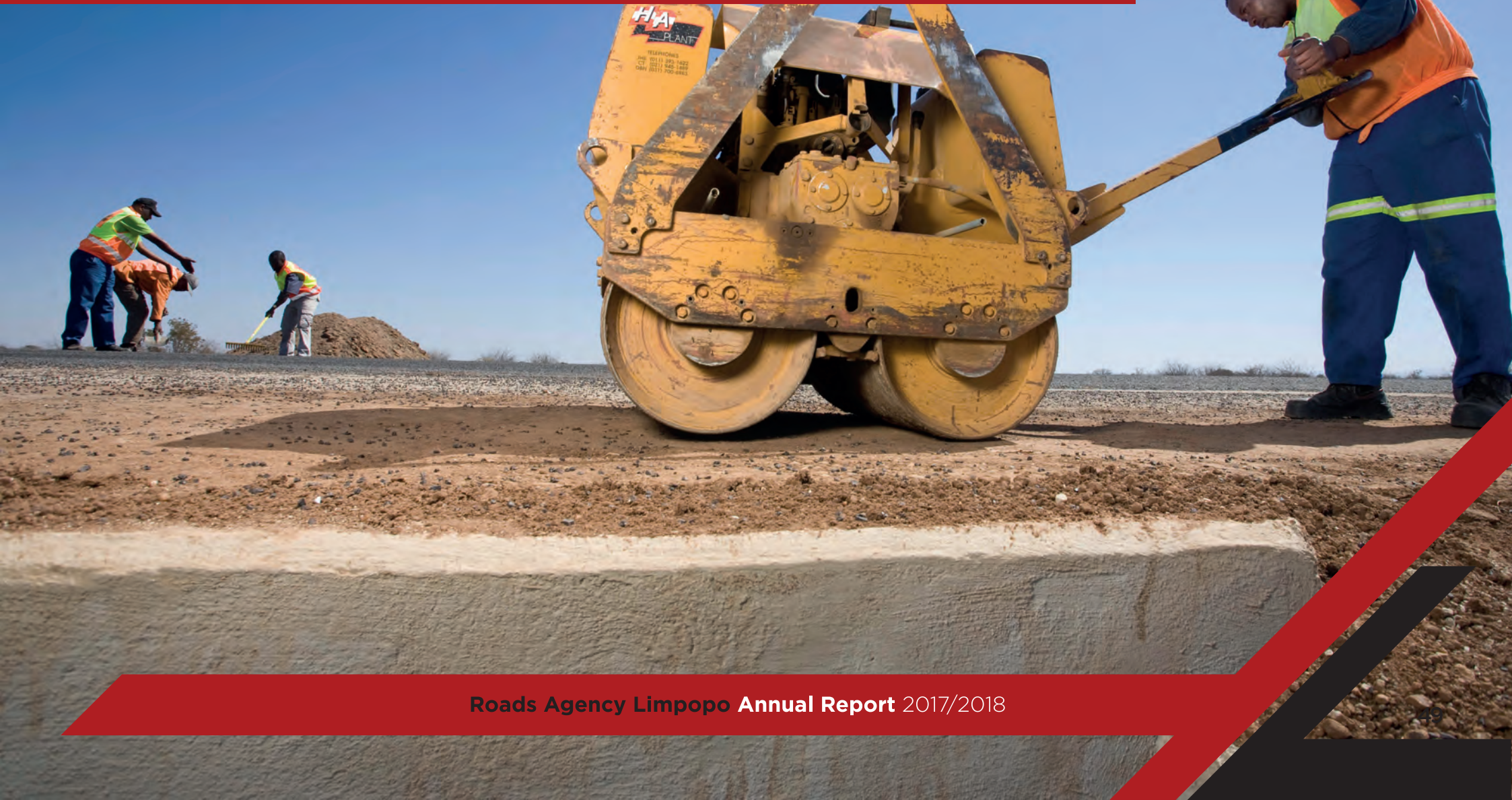
Ms. M.G. Mokoka CA(SA)

Chairperson of the Audit and Risk Committee

Roads Agency Limpopo



PART D | HUMAN RESOURCE MANAGEMENT





1. HUMAN RESOURCE OVERSIGHT STATISTICS

The Board, with the expertise of the Audit & Risk Committee, has employed all its endeavors in strengthening internal controls to optimize its oversight function. Resolutions of AGSA's Audit Findings particularly as relates to property, plant & equipment and irregular expenditure, were 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 has completed skills audit to identify gaps in its skills base and provide corrective training and development to ensure that employees are equipped with necessary skills to fulfil their contractual responsibilities 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.

Personnel Cost by programme/ activity/ objective

Programme/ activity/ objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Engineering		30 578	38	39	784
Corporate Services		18 943	23.54	31	611
Finance		14 896	18.51	18	827
Information Technology		4 947	6.15	07	706
CEO's Office		11 104	13.80	15	740
Total		80 468	100	110	3668



Personnel cost by Salary Band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	13 686	17	08	1 710
Senior Management	12 998	16.16	10	1 299
Professional qualified	27 087	33.66	25	1 083
Skilled	17 312	21.52	24	721
Semi-skilled	7 648	9.50	26	294
Unskilled	1 737	2.16	17	102
Total	80 468	100	110	5209

Productivity Bonus

Programme/activity/objective	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	594	13 686	0.73
Senior Management	703	12 998	0.87
Professional qualified	2 144	27 087	2.66
Skilled	1 387	17 312	1.72
Semi-skilled	431	7 648	0.53
Unskilled	115	1 737	0.14
Total	5 318	80 468	6.65

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	80 468	776	0.96	109	7 119

Employment and Vacancies

Programme/activity/objective	2016/2017 No. of Employees	2017/2018 Approved Posts	2017/2018 No. of Employees	2017/2018 Vacancies	% of vacancies
Employment and Vacancies	86	136	110	37	27.20

Programme/activity/objective	2016/17 No. of Employees	2017/18 Approved Posts	2017/18 No. of Employees	2017/2018 Vacancies	% of vacancies
Top Management	05	07	08	0	0
Senior Management	08	29	10	19	31
Professional qualified	23	31	25	06	19
Skilled	22	35	24	11	31
Semi-skilled	22	27	26	01	03
Unskilled	06	07	17	00	0
Total	86	136	110	37	84

NB: the number of approved posts above excludes interns.



Employment and Vacancies

Salary Band	Employment at beginning of period	Appointments	Terminations	2016/17 Vacancies	Employment at end of the period
Top Management	05	03	01	0	08
Senior Management	07	03	01	19	10
Professional qualified	23	01	03	06	25
Skilled	23	01	0	11	24
Semi-skilled	22	04	02	01	26
Unskilled	06	11	01	0	17
Total	86	23	08	37	110

Reasons for staff leaving Employment Changes

Reason	Number	% of total no. of staff leaving
Death	1	12.5
Resignation	5	71.4
Dismissal	0	0
Retirement	2	25
Ill health	0	0
Expiry of contract	0	0
Other	0	0
Total	8	100

Labour Relations: Misconduct and disciplinary action

Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written warning	0
Dismissal	0

2. EMPLOYMENT EQUITY

Equity Targets and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	04	02	01	0	01	0	0	01
Senior Management	07	03	0	0	0	0	01	01
Professional qualified	14	15	0	0	01	01	01	01
Skilled	09	06	0	0	0	0	0	0
Semi-skilled	09	14	0	0	0	0	0	0
Unskilled	04	02	0	0	0	0	0	0
Total	47	42	01	0	02	01	02	03



Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	02	01	0	0	0	0	0	0
Senior Management	02	02	0	0	0	0	0	0
Professional qualified	08	08	0	0	0	0	0	0
Skilled	15	14	0	0	0	0	0	0
Semi-skilled	15	13	02	02	0	0	0	01
Unskilled	13	04	0	0	0	0	0	0
Total	55	42	02	02	0	0	0	01

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

* The Agency has met 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 2018/19 financial year.

PART E | FINANCIAL INFORMATION

Annual Financial Statements





**Roads Agency Limpopo (SOC) Ltd
(Registration Number 2001/025832/07)
Financial Statements for the year ended 31 March 2018**

Directors' Responsibilities and Approval

The Board of Directors is required by 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 predetermine 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.

The audited annual financial statements have been prepared on the basis of that the Agency will continue to operate the business as 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.

The Annual Financial Statements of Roads Agency Limpopo (SOC) Ltd which appear on pages 79 to 138 were approved by the Board of Directors and are signed on their behalf by:



Mr. M.P. Matji Pr.CPM
Chief Executive Officer
31 July 2018



Ms. M.G. Mokoka CA (SA)
Chairperson: Audit & Risk
Committee
31 July 2018



Mr. M.S. Ralebipi
Chairperson: Board of Directors
31 July 2018



Report of the auditor-general to the Limpopo Provincial Legislature on the Roads Agency Limpopo SOC Ltd

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Roads Agency Limpopo SOC Ltd set out on pages 80 to 138, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Roads Agency Limpopo (SOC) Ltd as at 31 March 2018, and its financial performance and cash flows for the year then ended 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).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material uncertainty relating to financial sustainability

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. Material uncertainty relating to financial sustainability in note 31 to the financial statements indicates that the public entity incurred a deficit of R917 066 000 (2017: R1 583 650 000) during the year ended 31 March 2018 and, as of that date, the public entity's current liabilities exceeded its current assets by R270 032 000 (2017: R298 525 000)

Emphasis of matters

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

Restatement of corresponding figures

9. As disclosed in note 29 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2018

Significant uncertainty

10. With reference to note 26 to the financial statements, the entity is the defendant in damage of property and land claim lawsuits. The public entity is opposing the claims, as it believes that the claims are fraudulent. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

Responsibilities of accounting authority for the financial statements

11. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA and 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.
12. In preparing the financial statements, the accounting authority is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.



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

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the entity for the year ended 31 March 2018:

Objectives	Pages in the annual performance report
Programme 2 – transport infrastructure	13 – 16

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

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

Programme 2 – Transport infrastructure

Various objectives

20. The strategic objectives approved in the strategic plan / annual performance plan differed from the objectives reported in the annual performance report (APR), as listed below.



Planned strategic objectives per annual performance plan	Reported strategic objectives per Annual performance report
Sub-programme: Internal audit	
	2.3 To create sustainable and effective ERM culture that improves the likelihood of achieving RAL objectives
Sub programme: Human resources management	
	2.1 To create and maintain effective organisational structure
Sub-programme: Communication	
	2.1 To develop a communication strategy
Sub programme: Information technology	
	2.1 To implement and maintain IT strategy as a control framework
Sub-programme: Administration	
	goal 3: To facilitate and maintain the consolidation of resources to stimulate economic growth through partnerships
	3.1 To secure donor funding through strategic partnerships from public and private sector
	3.2 To enhance research and development and innovation initiatives that support road infrastructure delivery
	3.3 To raise finance for road infrastructure upgrade and partnerships for asphalt plant or aggregates
	Goal 4: To create and maintain an effective and efficient organisational structure

Various indicators

21. The source information, evidence and method of calculation for achieving the planned indicator was not clearly defined. In addition, the systems and processes that enable reliable reporting of achievement against the indicator were not adequately designed. This was due to a lack of proper performance management systems and processes that predetermined how the achievement would be measured, monitored and reported.

Reported indicators per APR
RAL approved projects list- 2018-19
Conducting visual assessments on all paved roads (6 075 km) annually
Conducting visual assessments on all gravel roads (14 118 km) every 3 years as required by DoRA
Conducting visual assessments on all bridges (733 no) every 5 years as required by DoRA
Number of km of gravel roads surfaced
Number of lane km of surfaced roads rehabilitated
Number of m ² of surfaced roads resealed
Number of bridges completed
Number of applications processed (in compliance with RAL standards)
Quarterly stakeholder consultation reports
Number of FTE (full time equivalent) jobs created
Amount (rand) spent on employing labour
Amount paid to SMMEs contracted and subcontracted
No. of local workers trained
Developing of project designs – 2018-19
Updating the upgrading master plan annually



Reported indicators per APR

Updating the maintenance plan annually

Conduct quality assurance audits (independent) on all completed projects 2016-17 financial year

Number of S.H.E compliance reports submitted in compliance with RAL standards

Development and updating of borrow pit management policy.

Update database for emerging contractors and subcontractors

Develop and updating of policy on the management of road reserves

Various indicators

22. The planned target for this indicator was not specific, in clearly identifying the nature and required level of performance, and measurable. In addition, the systems and processes that enable reliable reporting of achievements against the indicator were not adequately designed within the technical indicators description.

Reported indicators per APR	Reported actual achievement per APR
Conducting visual assessments on all paved roads (6 075 km) annually	Report
Conducting visual assessments on all gravel roads (14 118 km) every 3 years as required by DoRA	Report
Conducting visual assessments on all bridges (733 no) every 5 years as required by DoRA	Report
Updating the upgrading master plan annually	Report
Updating the maintenance plan annually	Report

Conduct quality assurance audits (independent) on all completed projects 2016-17 financial year	1 Report
Development and updating of borrow pit management policy.	1

Various indicators

23. The entity did not have an adequate record keeping system to enable reliable reporting on the achievement of the indicators listed below. As a result, I was unable to obtain sufficient appropriate audit evidence in some instances, while in other cases the supporting evidence provided did not agree with the reported achievements. Based on the supporting evidence that was provided, the achievement of these indicators differed from the reported achievement in the APR. I was also unable to further confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievements of the indicators listed below.

Indicator	Reported achievement
Conducting visual assessments on all paved roads (6 075 km) annually	1 Report
Conducting visual assessments on all gravel roads (14 118 km) every 3 years as required by DoRA	1 Report
Conducting visual assessments on all bridges (733 no) every 5 years as required by DoRA	1 Report
Number of applications processed (in compliance with RAL standards)	508
Number of FTE (full time equivalent) jobs created	553
Amount (rand) spent on employing labour	R34 904 703
Amount paid to SMMEs contracted and subcontracted	R142 183 523
No. of local workers trained	731



Other matters

24. I draw attention to the matters below.

Achievement of planned targets

25. Refer to the annual performance report on pages 20 to 35 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 20 to 23 of this report.

Adjustment of material misstatements

26. 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 only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

27. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

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

Annual financial statement and annual report

29. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA.

Material misstatements of non-current assets, current assets liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statement were corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

30. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R235 268 000, as disclosed in note 33 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management regulations, policies and procedures.
31. Expenditure was incurred without an approved budget or in excess of the approved budget, in contravention of section 53(4) of the PFMA.

Procurement and contract management

32. Some of the contracts were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.
33. Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and Preferential Procurement Regulations. **Other information**
34. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
35. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.



36. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
37. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

38. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

39. The entity developed a plan to address internal and external audit findings, but the appropriate level of management did not monitor adherence to the plan in a timely manner. This resulted in non-compliance with applicable legislation and gave rise to irregular expenditure.

Financial and performance management

40. Effective performance processes and procedures, and their management, had not been adequately developed and implemented because of the slow response to the previous year's audit findings. The implementation of monthly controls designed for the entity's business process could have prevented misstatements in the submitted annual financial statements as well as prevented non-compliance with legislation.

Other reports

41. I draw attention to the following engagements conducted by various parties that had or could have an impact on the matters in the entity's financial statements, reported performance information and compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
42. The Special Investigation Unit (SIU) is currently investigating matters pertaining to supply chain management as well as project-related expenditure that arose from 01 January 2009 to 20 April 2018. The outcome of the investigation was not yet available at the time of the report.
43. An internal investigation was conducted subsequent to year-end into the alleged misconduct of current and former employees for the period under review. The report found that certain findings should be investigated further.

Auditor-General

Polokwane 31 July 2018



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programme and on the public entity’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
 - conclude on the appropriateness of the board of directors, which constitutes the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Roads Agency Limpopo SOC Ltd’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a public entity to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.



DIRECTORS' REPORT

THE BOARD OF DIRECTORS OF THE ROAD AGENCY LIMPOPO (SOC) LTD HAS PLEASURE IN PRESENTING THE ANNUAL REPORT ON THE ACTIVITIES OF THE ENTITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018.

REVIEW OF ACTIVITIES

1. MAIN ACTIVITIES AND OPERATIONS

The Roads Agency Limpopo (SOC) Ltd was established, in terms of the Limpopo Province Roads Agency Proprietary Limited and Provincial Roads Act 7 of 1998, as amended, for the purpose of constructing, maintaining and rehabilitating the Provincial road infrastructure, on behalf of the Limpopo Provincial Government. 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 1 of 1999, as amended.

The Member of Executive Council responsible for Public Works, Roads and Infrastructure, Hon. N. Ndalane, 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.

During the financial year being reported on, RAL managed to raise an amount of R133 286 million in additional funding from strategic partnerships forged with private and public sector partners for the purpose of implementing road infrastructure projects.

2. GOING CONCERN

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

3. SUBSEQUENT EVENTS

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

4. DIRECTORS' INTEREST IN CONTRACTS

The material contracts in which the directors have an interest which were concluded and entered into during the financial period under review, were presented in Annual Financial Statements, Note 27.

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 seven (7) Board Members, four (4) of whom are independent non-executive Board Members, and three (3) ex officio board members, being the Chief Executive Officer, the Board Member nominated to represent the Limpopo Provincial Treasury, as well as the Board Member nominated to represent the Limpopo Department of Public Works, Roads and Infrastructure in their official capacities.

The Board of Directors is committed to applying all codified and customary corporate governance imperatives, as well as mandatory provisions of statutes, in order 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.

Furthermore, RAL executed all its pre-determined strategic objectives, as enshrined in the Five Year Strategic Plan and Annual Performance Plan.

5.2. Chairperson and Chief Executive Officer

The Board of Directors held quarterly meetings, as required for the purpose of considering and approving statutory quarterly submissions, and executed its collective 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 is 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 Director has absolute and 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 Annual Performance Plan approved by the Board were executed optimally.



5.3. Audit and Risk Committee

During the financial period under review, the Audit and Risk Committee was constituted, at all material times, by three independent non–executive members who are Chartered Accountants. The Committee held 9 meetings during the financial period under review for the purpose of conducting its ordinary business and for any other functions expected to be performed within the scope of the Committee.

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, damage or 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 have been so approved by the Board of Directors and implemented by the management team. No material deficiencies in the internal controls over financial reporting were identified by the Internal Audit unit.

7. RISK MANAGEMENT

The Audit and Risk Committee, on behalf of the Board, ensured that integrated risk management was upheld and that the risk appetite of the Agency is managed by addressing all imminent root causes and putting in place effective treatment plans for the mitigation of risks.

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 that remain sub judice.

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
- Mr. M.P.K. Tshivhase – Independent Non-Executive Director
- Mr. X.R. Mulamula – Ex Officio Director representing the Limpopo Provincial Treasury
- Ms. M.H. Kekana – Independent Non-Executive Director (Resigned on 2 February 2018)
- Adv. J.R. Bilankulu – Ex Officio Director representing the shareholder Department of RAL, Limpopo Department of Public Works, Roads and Infrastructure (Resigned on 2 February 2018)
- Ms. T.M. Ramabulana – Independent Non-Executive Director (Appointed on 2 February 2018)
- Mr. M.M. Mkhachane - Ex Officio Director representing the shareholder Department of RAL, Limpopo Department of Public Works, Roads and Infrastructure (Appointed on 19 February 2018)

11. COMPANY SECRETARY

Ms. Tebogo C. Kekana was the Company Secretary of RAL during the year under review.

12. HUMAN RESOURCES

The Roads Agency Limpopo (SOC) Ltd maintains a positive ethical work climate that is conducive to attracting, retaining and motivating a diverse group of quality employees at all levels of operations to encourage team spirit and personal commitment.



Certificate of the Company Secretary

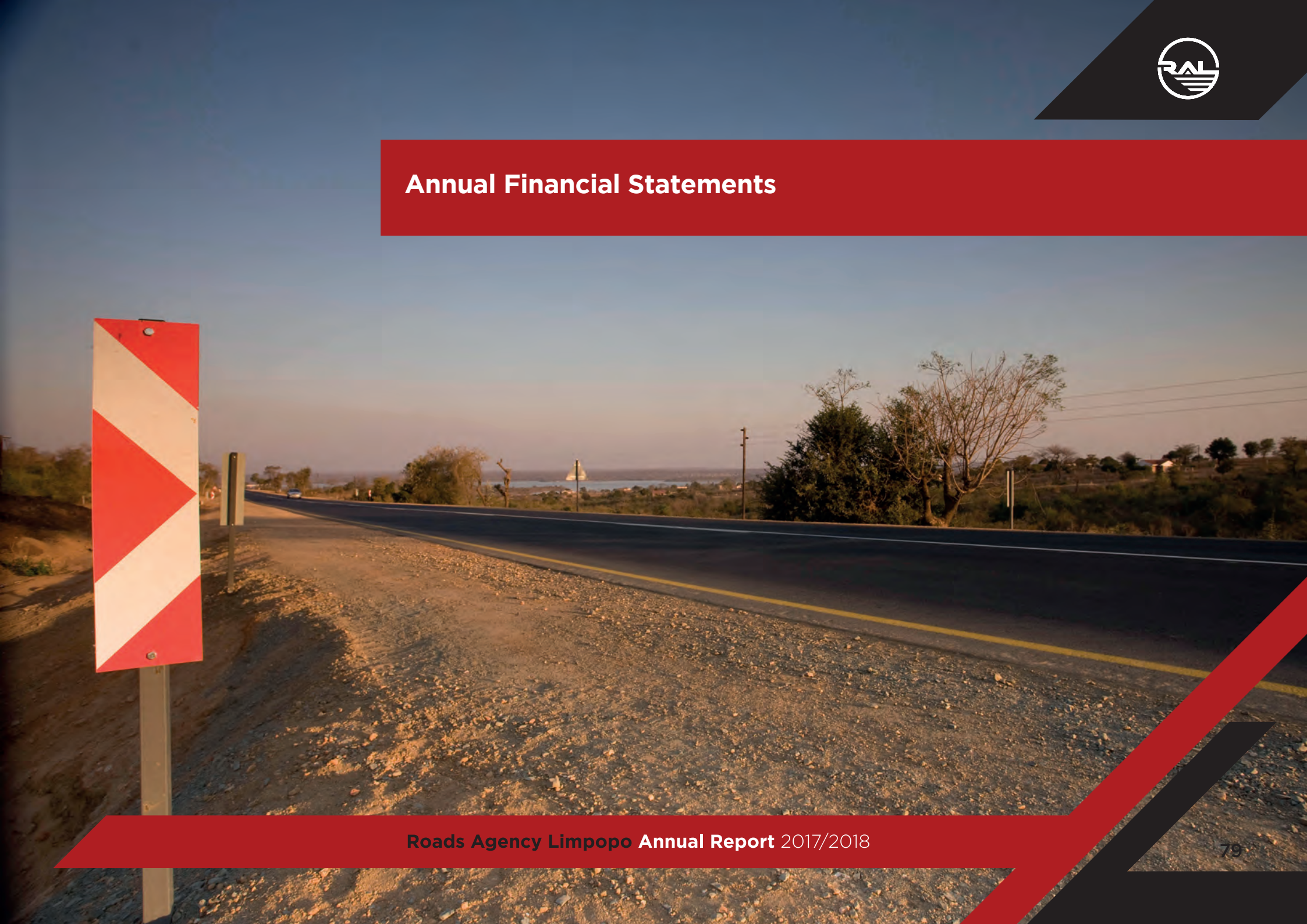
In terms of section 88(2)(c) of the Companies Act no 71 of 2008 (as amended), I, T.C. Kekana, in my capacity as Company Secretary, confirm that for the year ended 31 March 2018, the Company has lodged with the Companies and Intellectual Property Commission, all such returns as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

A handwritten signature in black ink, appearing to read 'T.C. Kekana', is written over a horizontal line.

Ms. T.C. Kekana
Company Secretary
31 July 2018



Annual Financial Statements





Statement of Financial Position as at 31 March 2018

	Note(s)	2018 R '000	2017 R '000
Current Assets			
Inventories	5	328	600
Receivables from exchange transactions	6	2 286	3 060
Cash and cash equivalents	7	117 274	1 478
		119 888	5 138
Non-Current Assets			
Property, plant and equipment	2	21 450 080	22 400 919
Intangible assets	3	394	116
Other receivables	4	2 760	2 760
		21 453 234	22 403 795
Total Assets		21 573 122	22 408 933
Liabilities			
Current Liabilities			
Finance lease obligation	9	348	313
Payables from exchange transactions	10	389 001	298 772
Payables from non-exchange transactions	11	571	4 578
		389 920	303 663
Non-Current Liabilities			
Finance lease obligation	9	221	569
Total Liabilities		390 141	304 232
Net Assets		21 182 981	22 104 701
Share capital / contributed capital	8	1	1
Accumulated surplus		21 182 980	22 104 700
Total Net Assets		21 182 981	22 104 701

Statement of Financial Performance

	Note(s)	2018 R '000	2017 R '000
Revenue			
Revenue from exchange transactions			
Other income	13	2 304	1 951
Interest income	14	2 375	3 656
Total revenue from exchange transactions		4 679	5 607
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	15	1 314 451	1 047 319
Private sector contributions	16	133 286	64 814
Transfers of roads by other entities	17	-	349 936
Total revenue from non-exchange transactions		1 447 737	1 462 069
Total revenue	12	1 452 416	1 467 676
Expenditure			
Employee related costs	18	(80 468)	(67 577)
Infrastructure Write offs		-	(259 097)
Depreciation and amortisation	35	(1 999 732)	(2 245 249)
Impairment loss	19	(224 455)	(169 338)
Interest and penalties	20	(687)	(48)
Provision for bad debts	21	234	84
Repairs and maintenance		(419)	(518)
Project expenses	34	(11 275)	(227 203)
General Expenses	22	(52 677)	(82 380)
Total expenditure		(2 369 479)	(3 051 326)
Operating deficit		(917 063)	(1 583 650)
Loss on disposal of office equipment		(3)	-
Deficit for the year		(917 066)	(1 583 650)



Statement of Changes in Net Assets

	Total share capital R '000	Accumulated surplus R '000	Total net assets R '000
Opening balance as previously reported	1	23 591 284	23 591 285
Adjustments			
Prior year adjustments	-	102 673	102 673
Balance at 01 April 2016 as restated*	1	23 693 957	23 693 958
Changes in net assets			
Deficit for the year	-	(1 583 650)	(1 583 650)
Transfer own revenue	-	(5 607)	(5 607)
Total changes	-	(1 589 257)	(1 589 257)
Balance at 01 April 2017	1	22 104 700	22 104 701
Changes in net assets			
Deficit for the year	-	(917 066)	(917 066)
Transfer own revenue	-	(4 654)	(4 654)
Total changes	-	(921 720)	(921 720)
Balance at 31 March 2018	1	21 182 980	21 182 981

Cash Flow Statement

	Note(s)	2018 R '000	2017 R '000
Cash flows from operating activities			
Receipts			
Grants		1 314 451	1 054 935
Interest income		2 341	4 558
Other receipts		2 632	2 001
		1 319 424	1 061 494
Payments			
Employee costs		(79 258)	(66 916)
Goods and services		(56 833)	(81 551)
Interest and penalties		(686)	(48)
Project expenses		(5 556)	(243 261)
Other payments		(8 662)	-
		(150 995)	(391 776)
Net cash flows from operating activities	24	1 168 429	669 718
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(1 051 959)	(814 027)
Purchase of other intangible assets	3	(361)	(140)
Deposit paid on borrow pit		-	(230)
Net cash flows from investing activities		(1 052 320)	(814 397)
Cash flows from financing activities			
Finance lease payments		(313)	(130)
Net increase/(decrease) in cash and cash equivalents		115 796	(144 809)
Cash and cash equivalents at the beginning of the year		1 478	146 287
Cash and cash equivalents at the end of the year	7	117 274	1 478



Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Other income - (rollup)	1 986	(62)	1 924	2 304	380	#1
Interest received - investment	1 315	1 057	2 372	2 375	3	

Total revenue from exchange transactions	3 301	995	4 296	4 679	383	
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Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	962 151	352 300	1 314 451	1 314 451	-	
Private sector contributions	-	-	-	133 286	133 286	

Total revenue from non-exchange transactions	962 151	352 300	1 314 451	1 447 737	133 286	
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Total revenue	965 452	353 295	1 318 747	1 452 416	133 669	
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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	
Expenditure						
Personnel	(97 275)	17 585	(79 690)	(80 468)	(778)	#2
Depreciation	-	-	-	(1 999 732)	(1 999 732)	#3
Impairment loss/ Reversal of impairments	-	-	-	(224 455)	(224 455)	#3
Finance costs	-	-	-	(687)	(687)	#4
Bad debts	-	-	-	234	234	#5
Repairs and maintenance	(643)	130	(513)	(419)	94	#6
Project expenses	(929 011)	(232 784)	(1 161 795)	(1 342 835)	(181 040)	#7
General Expenses	(76 072)	7 755	(68 317)	(52 520)	15 797	#8
Total expenditure	(1 103 001)	(207 314)	(1 310 315)	(3 700 882)	(2 390 567)	
Operating deficit	(137 549)	145 981	8 432	(2 248 466)	(2 256 898)	
Loss on disposal of assets and liabilities	-	-	-	(3)	(3)	
Surplus/(Deficit) for the year	(137 549)	145 981	8 432	(2 248 469)	(2 256 901)	



Comments and variance analysis

#1 : New source of revenue (Aerial space) and penalties received from contractor for non-compliance with contract terms increased revenue generated.

#2 : Overspending was due to leave provision, temporary workers and acting allowance.

#3 : These are non-cash items and the entity does not budget for non-cash items. As per PFMA, budgeted expenditure should equal allocated grant.

#4 : Due to delay in settlement of court order and payment of service provider.

#5 : Bad debts previously written-off were recovered during the year.

#6 : Below budget due to nature of expenditure that depends on breakdowns and repairs that were below expectation.

#7 : Over spending was due to over commitment resulting from unfunded political mandate.

#8 : Below budget due to delays in court settlements, and reduction in marketing and traveling expenditure due to cost containment measures.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

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



Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included under expenses in the statement of financial performance .

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

Provisions

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.

Useful lives of waste and water network and other assets

The entity's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Allowance for doubtful debts

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

Accounting Policies

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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



Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	12 years
Motor vehicles	Straight line	10 years
Office equipment	Straight line	8 years
IT equipment	Straight line	5 to 6 years
Roads Beds	Straight line	40 years
Pavement Layers	Straight line	20 years
Bridges	Straight line	50 years
Unpavement Layers	Straight line	6 years

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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



Accounting Policies

1.5 Intangible assets (continued)

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

Accounting Policies

1.5 Intangible assets (continued)

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

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

Item	Useful life
Computer software	3 years
Website design	3 years

1.6 Financial instruments

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

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

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.



Accounting Policies

1.6 Financial instruments (continued)

A derivative is a financial instrument or other contract with all three of the following characteristics:

Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- cash;
- a residual interest of another entity; or

Accounting Policies

1.6 Financial instruments (continued)

a contractual right to:

- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.



Accounting Policies

1.6 Financial instruments (continued)

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

Accounting Policies

1.6 Financial instruments (continued)

instruments held for trading. A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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



1.8 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for; distribution at no charge.

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:



1.10 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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

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

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

Useful life is either:

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

Accounting Policies

1.11 Share capital / contributed capital

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

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.



Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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



Accounting Policies

1.13 Provisions and contingencies (continued)

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.

A constructive obligation to restructure arises only when an entity:

has a detailed formal plan for the restructuring, identifying at least:

- the activity/operating unit or part of a activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

Accounting Policies

1.13 Provisions and contingencies (continued)

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

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

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

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

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

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



1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

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

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

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.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.



Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

It is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
and
The amount of the revenue can be measured reliably.

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.16 Revenue from non-exchange transactions

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

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

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

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

The entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

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

Other grants and donations

Other grants and donations are recognised as revenue when:

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

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



Trade and other receivables

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

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

1.17 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 amortized cost using the effective interest rate method.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred

1.19 Comparative figures

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

1.20 Fruitless and wasteful expenditure

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

Accounting Policies

1.20 Fruitless and wasteful expenditure (continued)

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

1.21 Irregular expenditure

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

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

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

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

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

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

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

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



1.22 Budget information

Entity is subject to budgetary limits in the form of appropriations or budget authorizations, which is given effect through appropriation.

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

The approved budget is prepared on a accrual basis and presented by economic classification.

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

1.23 Related parties

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

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

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

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

Notes to the Annual Financial Statements

2. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3 700	-	3 700	3 700	-	3 700
Buildings	75 796	(24 833)	50 963	75 796	(23 563)	52 233
Furniture and fixtures	5 414	(3 561)	1 853	5 376	(3 223)	2 153
Motor vehicles	305	(246)	59	305	(226)	79
Office equipment	3 412	(2 044)	1 368	3 242	(1 449)	1 793
IT equipment	14 108	(11 456)	2 652	12 942	(10 627)	2 315
Roads and Bridges	41 468 029	(22 363 192)	19 104 837	41 117 437	(20 142 146)	20 975 291
PPE Under construction	2 284 648	-	2 284 648	1 363 355	-	1 363 355
Total	43 855 412	(22 405 332)	21 450 080	42 582 153	(20 181 234)	22 400 919



Notes to the Annual Financial Statements

Figures in Rand thousand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals/Transfer	Depreciation	Impairment loss	Total
Land	3 700	-	-	-	-	3 700
Buildings	52 233	-	-	(1 270)	-	50 963
Furniture and fixtures	2 153	38	-	(338)	-	1 853
Motor vehicles	79	-	-	(20)	-	59
Office equipment	1 793	177	(4)	(598)	-	1 368
IT equipment	2 315	1 166	-	(829)	-	2 652
Roads and Bridges	20 975 291	350 592	-	(1 996 591)	(224 455)	19 104 837
PPE Under construction	1 363 355	1 271 884	(350 591)	-	-	2 284 648
	22 400 919	1 623 857	(350 595)	(1 999 646)	(224 455)	21 450 080

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Write off	Disposals/Transfer	Depreciation	Impairment loss	Total
Land	3 700	-	-	-	-	-	3 700
Buildings	53 503	-	-	-	(1 270)	-	52 233
Furniture and fixtures	2 104	408	-	-	(359)	-	2 153
Motor vehicles	99	-	-	-	(20)	-	79
Office equipment	1 030	1 173	-	-	(410)	-	1 793
IT equipment	2 384	945	-	-	(1 014)	-	2 315
Roads and Bridges	23 143 198	601 726	(352 891)	(5 290)	(2 242 115)	(169 337)	20 975 291
PPE Under construction	619 350	945 364	-	(201 359)	-	-	1 363 355
	23 825 368	1 549 616	(352 891)	(206 649)	(2 245 188)	(169 337)	22 400 919

Notes to the Annual Financial Statements

Figures in Rand thousand

3. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 805	(1 411)	394	1 444	(1 328)	116
Website design	1 661	(1 661)	-	1 661	(1 661)	-
Total	3 466	(3 072)	394	3 105	(2 989)	116

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	116	361	(83)	394

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	40	140	(64)	116



Notes to the Annual Financial Statements

Figures in Rand thousand

2018
R '000

2017
R '000

4. Other receivables

DME Borrow pit deposits	2 760	2 760
Other receivables relates to refundable deposits made to the Department of Minerals and Energy for rehabilitation of borrow pits used for entity's projects.		

5. Inventories

Consumable stores	328	600
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Details of inventory

Consumables at year end consist of office stationery, cleaning and grocery items.
Inventory recognised as an expense and included in general expenses amounted to R728 083, (2017:R563 335).

6. Receivables from exchange transactions

Trade debtors	565	820
Provision for doubtful debts	(417)	(651)
Prepayments	904	1 848
Students and Staff bursaries	1 156	998
Accrued interest	78	45
	2 286	3 060

Trade and other receivables impaired

The ageing of the receivables impaired is as follows:

Current to 3 months	-	35
Over 3 months	417	616

Notes to the Annual Financial Statements

Figures in Rand thousand

	2018 R '000	2017 R '000
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6. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	651	735
Provision for impairment	(234)	(84)
	417	651

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5	3
Bank balances	117 269	1 475
	117 274	1 478

8. Share capital / contributed capital

Authorised

100 Ordinary shares of R1 each	1	1
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Reconciliation of number of shares issued:

Issue of shares – ordinary shares	1	1
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100 Ordinary shares issued are held by the MEC of Limpopo Department of Public Works, Roads & Infrastructure.



Notes to the Annual Financial Statements

Figures in Rand thousand	2018 R '000	2017 R '000
9. Finance lease obligation		
Minimum lease payments due		
- within one year	392	392
- in second to fifth year inclusive	229	621
	621	1 013
less: future finance charges	(52)	(131)
Present value of minimum lease payments	569	882
Present value of minimum lease payments due		
- within one year	348	313
- in second to fifth year inclusive	221	569
	569	882
Non-current liabilities	221	569
Current liabilities	348	313
	569	882

RAL leased eight multifunctional printers from BCM Digison CC from 1 November 2016 for 3 years. Thirty six lease installments of R32 671.92 each are payable monthly in advance. Implicit interest rate is 10.67% per annum. At the end of the lease term, BCM Digison CC will retain the ownership of the printing machines. The lease agreement does not provide for contingent lease payments. At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

Notes to the Annual Financial Statements

Figures in Rand thousand	2018 R '000	2017 R '000
10. Payables from exchange transactions		
Trade payables	247 383	251 210
Payables - Partnerships	58 139	-
13th Cheque	970	814
Employee accruals	3 048	2 621
Accrued expenses	814	5 109
3rd Party	1 551	-
Retention fees	76 932	38 927
Other payables	164	91
	389 001	298 772
Ageing of trade payables		
Current (0-30 Days)	168 613	140 901
31 - 60 Days	20 415	6 422
61 - 90 Days	32 594	59 677
Over 90 Days	24 442	44 210
	246 064	251 210
11. Payables from non-exchange transactions		
Other payables own revenue - LDPWRI	571	4 578
Reconciliation for Grants payable (non-exchange)		
Opening Balance	-	153 902
Government grant received	1 314 451	893 417
Less: Grant spent during the year	(1 314 451)	(1 047 319)
	-	-



Notes to the Annual Financial Statements

Figures in Rand thousand

	2018 R '000	2017 R '000
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12. Revenue

Other income	2 304	1 951
Interest received	2 375	3 656
Government grants & subsidies	1 314 451	1 047 319
Private sector contributions	133 286	64 814
Transfers of roads by other entities	-	349 936
	1 452 416	1 467 676

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

Other income	2 304	1 951
Interest received	2 375	3 656
	4 679	5 607

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

Transfer revenue

Government grants & subsidies	1 314 451	1 047 319
Private sector contributions	133 286	64 814
Transfers of roads by other entities	-	349 936
	1 447 737	1 462 069

Notes to the Annual Financial Statements

Figures in Rand thousand	2018 R '000	2017 R '000
13. Other income		
Application fees	646	640
Rental billboards	582	696
Sundry income	81	102
Tender documents	463	513
Sundry income - Penalties	270	-
Rental of Aerial Space	262	-
	2 304	1 951
14. Interest Income		
Interest revenue		
Bank	2 373	3 602
Interest charged on trade and other receivables	2	54
	2 375	3 656
15. Government grants and subsidies		
Operating grants		
Government grant - Administration	135 330	152 448
Government grants - Infrastructure projects	1 179 121	894 871
	1 314 451	1 047 319

Details on private sector contributions

RAL entered into agreements with some private sector entities whereby these sector entities undertook to contribute to roads construction within their operating vicinity. The agreements stipulate how much each party, RAL and private sector entity, should contribute towards roads constructions. The ownership of all the roads jointly constructed with private sector entities belongs to RAL as DPWRI implementing agency.



Notes to the Annual Financial Statements

Figures in Rand thousand

2018
R '000

2017
R '000

16. Private sector contributions

Private sector - Conditional	133 286	64 814
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17. Transfers of roads by other entities

Non exchange revenue - Road Pavement	-	349 936
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This revenue relates to roads and bridges that were previously under management of various Municipalities and SANRAL and subsequently transferred to RAL at no cost.

18. Employee related costs

Basic	47 212	40 211
Bonus	5 318	2 628
Medical aid - company contributions	776	737
UIF	167	157
Leave pay provision charge	675	661
Other allowances (Acting allowance)	539	597
Post retirement benefit plan -defined contributions	5 913	5 060
Settlement and others	866	1 842
Travel and housing allowances	19 002	15 684
	80 468	67 577



Notes to the Annual Financial Statements

Figures in Rand thousand	2018 R '000	2017 R '000
19. Impairment of assets		
Impairments		
Property, plant and equipment	224 455	169 338
20. Interest and penalties		
Trade and other payables	608	14
Finance leases	79	34
	687	48
21. Provision for bad debts		
Contributions to debt impairment provision	(234)	(84)



Notes to the Annual Financial Statements

Figures in Rand thousand	2018 R '000	2017 R '000
22. General expenses		
Advertising	4 147	5 467
Assessment rates & municipal charges	1 310	1 255
Auditors remuneration	3 386	2 272
Bank charges	57	54
Cleaning	49	-
Computer expenses	10	20
Consulting and professional fees	12 686	44 616
Consumables	688	101
Entertainment	-	2
Compassionate gifts and farewell	25	-
Insurance	1 868	1 436
Conferences and seminars	279	283
Motor vehicle expenses	12	7
Accommodation	637	540
Postage and courier	11	8
Printing and stationery	450	604
Security	1 145	1 054
Subscriptions and membership fees	180	84
Telephone and fax	1 693	1 333
Training	551	532
Subsistence and travel	4 403	4 651
Uniforms	219	-
Licenses	1 049	1 102
Catering expenses	76	300
Rentals	43	626
Legal expenses	4 205	7 385
Bursaries	430	154
Court settlements	10 210	5 014
Directors remunerations	2 324	2 629
Inventory loss	-	11
Recruitment costs	534	840
	52 677	82 380

Notes to the Annual Financial Statements

Figures in Rand thousand	2018 R '000	2017 R '000
23. Auditors' remuneration		
Fees	3 386	2 272
24. Cash generated from operations		
Deficit	(917 066)	(1 583 650)
Adjustments for:		
Depreciation and amortisation	1 999 732	2 245 249
Loss on sale of assets and liabilities	3	-
Write offs	-	259 097
Impairment loss	224 455	169 338
Debt impairment	(234)	(84)
Non-cash project expenses	5 719	-
Roads and bridges constructed by other entities	(133 286)	-
Transfer own revenue	(4 654)	(1 028)
Transfers of roads by other entities and private sector	-	(427 125)
Changes in working capital:		
Inventories	272	(165)
Receivables from exchange transactions	1 273	(890)
Consumer debtors	-	84
Other receivables from non-exchange transactions	-	7 616
Payables from exchange transactions	(3 778)	1 276
(Increase)/decrease in receivables from non-exchange transactions	(4 007)	-
	1 168 429	669 718



Notes to the Annual Financial Statements

Figures in Rand thousand	2018 R '000	2017 R '000
25. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
Roads Construction	2 820 594	2 444 334
Road Maintenance	359 410	195 735
	3 180 004	2 640 069
Total capital commitments		
Approved and Contracted	3 180 004	2 640 069
Authorised operational expenditure		
Already contracted for but not provided for		
Property, Plant & Equipment	345	40
Other commitments	21 783	7 014
	22 128	7 054
Total operational commitments		
Approved and Contracted	22 128	7 054
Total commitments		
Total commitments		
Authorised capital expenditure	3 180 004	2 640 069
Authorised operational expenditure	22 128	7 054
	3 202 132	2 647 123

The commitment expenditure relates to Road construction and maintenance as well as administration related assets and expenditure and will be financed through available bank balance and government grant.

Notes to the Annual Financial Statements

Figures in Rand thousand

26. Contingencies

The entity is currently engaged in litigation which could result in damages/costs being awarded against it if claimants are successful in their actions. The following are the description of the claims, amounts claimed and estimated settlement amounts:

1. Motor Vehicle Accidents

Various motor vehicle owners claim to have sustained injuries and their vehicles damaged due to the condition of the road, failure to put road sign in place or collapsed road structures on the roads belonging to the entity. The total value of these claims and the estimated settlement amounts at 31 March 2018 is R26.601 million and R11.133 million respectively.

2. Employment Contract

A former employee of the entity has instituted a lawsuit against the entity for defamation of character which threatens his future employability. The value of the claim and the estimated settlement amount at 31 March 2018 is R37 million and R5 million respectively.

3. Other contingent liabilities

Two firms of attorneys initiated claims against the entity for the work they have alleged to have rendered to the entity. The entity is disputing the payments for the invoices due to the exorbitance of the amount and lack of proof of instruction to render the legal services to the entity. The total value of these claims and the estimated settlement amounts at 31 March 2018 is R2.092 million and R1.592 million respectively.

4. Property infringement

The entity received total claims of R7.644 million for excavation of land on the private property, for the construction of road, and for construction of road over a property owned by the claimant. The total estimated settlement amount is R5.970 million.

5. Construction Contracts

Legal claims for non-payment of invoices for road construction work performed and compensation for the contract alleged unlawfully termination of the contract by the entity. The claims amount to R31.844 million while total settlements are estimated at R23.514 million.

It is not practical to disclosed detailed information of contingent liabilities on the financial statement as a results, a detailed list of contingent liabilities is available at entity's offices.



Notes to the Annual Financial Statements

Figures in Rand thousand

2018
R '000

2017
R '000

27. Related parties

Relationships

Directors

Refer to members' report note

Shareholder with significant influence

MEC of LDPWRI

Ultimate controlling entity

Limpopo Department of Public Works, Roads & Infrastructure

Key Management

Refer to note on Executive management

Shareholder with significant influence

MEC of LDPWRI

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

Limpopo Department of Public Works, Roads & Infrastructure

(571)

(4 578)

Pre-payment of Directors fees

RAL - Board of Directors

248

-

Rates for the directors' remuneration were changed during the year, and it was noted after payments that the old rates were used. The amount overpaid will be offset against directors' fees payable in future.



Notes to the Annual Financial Statements

Figures in Rand thousand

	2018 R '000	2017 R '000
Related party transactions		
Professional fees paid to related party		
Crawford and Company	534	641
The company provided loss adjustment services and contingent liability assesment and one of the company directors is the wife of the CEO. The company was appointed through normal SCM process using the panel of suppliers approved by RAL Board of Directors.		
Transfer of own revenue		
Limpopo Department of Public Works, Roads & Infrastructure	4 654	1 028
Government grant received		
Limpopo Department of Public Works, Roads & Infrastructure	1 314 451	1 047 319



Remuneration of Directors and Management

Executive management

2018

Name	Acting Allowance & Settlements	Basic salary	Travel & housing allowance	Medical & pension contribution	Productivity incentive	Total
C Ruiters	-	881	345	129	-	1 355
L Fosu (CFO)	-	1 151	747	-	15	1 913
B Mokhothu (Executive Manager: Engineering)	358	95	48	15	-	516
J Boshielo (Exec Manager: Corporate services)	-	1 210	460	175	156	2 001
S Gamakulu (GM: Monitoring)	-	743	382	113	-	1 238
TC Kekana (Company Secretary)	-	987	373	145	141	1 646
S Saimen (Manager: Internal Audit)	-	143	70	24	-	237
P Maribana	112	308	113	49	75	657
K Maphutha	-	796	298	119	9	1 222
	470	6 314	2 836	769	396	10 785

Notes to the Annual Financial Statements

Figures in Rand thousand

27. Related parties (continued)

2017

Name	Acting Allowance	Basic salary	Bonus	Travel & housing allowance	Medical & pension contribution	Total
L Fosu (CFO)	-	117	-	-	-	117
H Magopa (Act CFO)	244	306	-	146	52	748
B Mokhothu (Executive Manager: Engineering)	-	1 118	15	556	177	1 866
TC Kekana (Company Secretary)	-	922	59	351	138	1 470
S Saimen (Manager: Internal Audit)	-	565	47	275	95	982
J Boshielo (Exec Manager: Corporate services)	-	1 027	19	389	151	1 586
S Pudikebekwa (Act Exec: Monitoring & evaluation)	122	347	-	221	6	696
	366	4 402	140	1 938	619	7 465

Name and position	Appointment date	End date
L Fosu (CFO)	23/02/2017	In service
C Ruiters	01/09/2017	In service
S Gamakulu (GM: Monitoring)	17/07/2017	In service
TC Kekana (Company Secretary)	01/06/2015	In service
S Saimen (Manager: Internal Audit)	01/02/2014	30/6/2017
B Mokhothu (Executive Manager: Engineering)	01/01/2016	30/04/2017
J Boshielo (Exec Manager: Corporate services)	01/01/2016	In service



Notes to the Annual Financial Statements

Figures in Rand thousand

2018
R '000

2017
R '000

28. Directors emoluments

Non Executive Directors

2018

	Retention fees	Total
M.S Ralebipi (Chairperson)	759	759
W.N.G Moleko (Board Member)	329	329
M.P.K Tshivhase (Board Member)	329	329
M.H Kekana (Board Member)	321	321
TM Ramabulana (Board Member)	8	8
	1 746	1 746

2017

	Retention fees	Total
M.S Ralebipi (Chairperson)	894	894
W.N.G Moleko (Board Member)	385	385
M.P.K Tshivhase (Board Member)	385	385
M.H Kekana (Board Member)	385	385
	2 049	2 049

Executive Director

2018

	Basic salary	Medical & Pension contributions	Travel & Housing Allowance	Productivity incentive	Total
MP Matji (CEO)	1 608	235	810	241	2 894

2017

	Basic salary	Medical & Pension contributions	Travel & Housing Allowance	Performance Bonus	Total
MP Matji (CEO)	1 454	214	738	119	2 525

Audit & Risk Committee Members

2018

	Retention fees	Total
M Mokoka (Chairperson)	209	209
G.M Maluleke (Member)	172	172
Z Samsam (Member)	198	198
	579	579



Notes to the Annual Financial Statements

Figures in Rand thousand

2018
R '000

2017
R '000

28. Directors emoluments (continued)

2017

	Retention fees	Total
M Mokoka (Chairperson)	209	209
G.M Maluleke (Member)	172	172
Z Samsam (Member)	198	198
	579	579

29. Prior period error and Comparative figures

Comparative figures have been restated to correct the prior period errors set out below.

The agency identified transactions that were incorrectly recorded in relation to prior year which required restatement of 2016/17 financial statements.

The effects of the correction of the prior year errors are as follows:

Statement of financial position - extract

	Comparative figures previously reported	Reclassification	After reclassification
Receivables from exchange transactions	24 797	(21 737)	3 060
Property, plant and equipment	22 271 704	129 215	22 400 919
Accumulated surplus	21 997 225	128 345	22 125 570
Total	44 293 726	235 823	44 529 549

Statement of financial performance - extract

	Comparative figures previously reported	Reclassification	After reclassification
Project expense	241 163	(13 960)	227 203
Depreciation and amortisation	2 244 613	636	2 245 249
Private sector contributions	60 157	4 657	64 814
Impairment loss	156 977	12 361	169 338
General expenses	81 562	818	82 380
Total	2 784 472	4 512	2 788 984

30. Risk management

Financial risk management

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and through the compilation and monitoring of cash flow forecasts, as well as ensuring that a satisfactory level of cash and cash equivalents are maintained.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the entity's financial liabilities and into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.



Notes to the Annual Financial Statements

Figures in Rand thousand

2018 R '000	2017 R '000
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30. Risk management (continued)

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

Financial instrument

Receivables from exchange transactions	2 286	3 060
Non-current receivables	2 760	2 760
Cash and Cash equivalent	117 274	1 478

Notes to the Annual Financial Statements

Figures in Rand thousand

30. Risk management (continued)

Market risk

Interest rate risk

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

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.

Liquidity risk table

2018	No later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Due after five years
Gross finance lease obligations	- 33	65	294	229	-
Payables from exchange transactions	- 330 862	-	-	-	-
Payables from non-exchange transactions	- 571	-	-	-	-
2017	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	
Gross finance lease obligations	- 33	65	294	621	-
Payables from exchange transactions	- 298 772	-	-	-	-
Payables from non-exchange transactions	- 4 578	-	-	-	-



Notes to the Annual Financial Statements

31. Going concern

For the year ended 31 March 2018, the entity incurred a deficit from continuing operations of R917 066 (2017: R1 583 650). However, the financial statements have been prepared on a going concern basis as the Limpopo Department of Public Works, Roads & Infrastructure has pledged its continuing support for a minimum of 12 months from the date of issuing these financial statements. Management has indicated that the entity will have sufficient cash assets to be able to meet its debts as and when they are due.

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the entity and that the entity continues to receive grants from LDPWRI. The entity has already received preliminary allocation for MTEF and the allocation will enable the entity to continue as a going concern.

32. Fruitless and wasteful expenditure

Opening Balance	14	5 903
Add: Fruitless and wasteful expenditure - Current year	374	14
Less: Fruitless and wasteful expenditure recovered	-	(1)
Less: Amount condoned by the board of directors	-	(5 902)
	388	14

Notes to the Annual Financial Statements

Figures in Rand thousand

	2018 R '000	2017 R '000
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33. Irregular expenditure

Opening balance	1 689 277	1 478 426
Prior period error	(8 093)	1 093 497
As restated:		
Add Irregular expenditure - current year	235 268	135 071
Add: Irregular expenditure - prior year	736	-
Less: Condoned or written off by relevent authority	(4 098)	(582 948)
Less: Prior year adjustments	-	(434 769)
	1 913 090	1 689 277

Details of irregular expenditure are as follows:

1. SCM Process not followed	200 619	28 814
2. No SCM supporting documents	34 649	21 119
3. Projects ceded to RAL by the Department of Transport without procurement process documentation	-	12 135
	235 268	62 068

Details of irregular expenditure – current year

	Disciplinary steps taken	
Variation order exceeds 20% and not approved by the Accounting Authority and Accounting Officer	Disciplinary action were taken against Senior Manager: Planning	4 048

34. Project expenses

Repairs and maintenance on road infrastructure consist of expenditure on infrastructure not capitalised.

Repairs & maintenance: Road Infrastructure	11 275	227 203
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35. Depreciation and Amortisation

Property, Plant and Equipment	1 999 649	2 245 185
Intangible Assets	83	64
	1 999 732	2 245 249

