



ROADS AGENCY LIMPOPO
Together for better roads

2019/20 Annual Report

D3820 - Mopani District: Blinkwater to Rotterdam



2019/20
Annual Report



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Part A

General Information

1. Public Entity's General Information

Directors	Mr M.S Ralebipi (Chairperson); Mr G.M Maluleke (CEO); Ms T Kekana (Company Secretary); Ms W.N.G Moleko; Mr M.P.K Tshivhase; Ms T.M Ramabulana; Mr P Makape; Mr M Phukuntsi
Registered Name	Roads Agency Limpopo (SOC) Ltd
Registration Number	2001/ 025832/30
Physical Address	26 Rabe Street Polokwane 0700
Postal Address	Private Bag X 9554 Polokwane 0700
Telephone Number	2715 284 4600
Website Address	www.ral.co.za
External Auditors	Auditor-General 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 South Africa
MEC	Member of Executive Council
BBBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
PFMA	Public Finance Management Act 1 of 1999
TR	Treasury General
MTEF	Medium-Term Expenditure Framework
SMME	Small Medium and Micro Enterprises
SCM	Supply Chain Management
GRAP	Generally Recognised Accounting Practice

3: Strategic Overview

The annual report forms part of Roads Agency Limpopo's (RAL) public accountability and responsibility to the shareholder, the Limpopo Provincial Department of Public Works, Roads and Infrastructure (LPWRI) as well as its key stakeholders. The report which covers the period of 1 April 2019 to 31 March 2020 outlines RAL's mandate, its strategic focus areas and a summary of how the Agency gave effect to its mandate during the financial year under review. In selecting the quantitative and qualitative information for the report, RAL strove to be concise but reasonably comprehensive whilst at the same time adhering to the principle of materiality – content that demonstrates the Agency's value creation process in the short, medium and long term.

3.1 Vision

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

3.2 Mission

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

3.3 Values

As an ethically driven organisation, RAL's operations and conduct in the next five years will be guided by the following enduring values:

The table below summarises RAL's values.

Core Values - Roads Agency Limpopo

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

4. Foreword from the MEC



Hon. Namane Masemola

MEC: Department of Public Works,
Roads & Infrastructure

The sixth administration of the Limpopo provincial government under the stewardship of the Honourable Premier Chupu Stanley Mathabatha is fully supportive of Roads Agency Limpopo's (RAL) progressive initiatives to use its various road infrastructure projects as tools to fight poverty, unemployment and inequality faced by communities. As the provincial government, our long-held view is that an accessible, safe and reliable road network system is a necessary tool to achieve our goals of inclusive economic growth and job creation. In fact, both the National Development Plan (NDP) and the Limpopo Development Plan (LDP) underscore the economic significance of a well-planned and maintained road network.

By investing in modern roads, we stand a better chance of turning Limpopo

into one of South Africa's economic powerhouses. Our understanding is that a modern road network presents a perfect opportunity to unlock and support Limpopo's investment potential. This explains why RAL is largely recognised as one of the core entities of the provincial government's service delivery agenda. The Roads Agency Limpopo remains part of the provincial government's strategy to address spatial development inequalities and economic injustices of apartheid. Roads have a positive net impact on every sector of the economy - from agriculture and manufacturing to tourism and mining.

Over the years, we have seen a hype of economic activity in villages where RAL successfully upgraded roads from gravel to tar. We have also seen a relative increase in

job creation within communities where RAL is constructing new or maintaining existing road infrastructure. RAL has proven that with the right mix of intra-governmental support and private sector partnerships, paved or tarred road surface can be turned into catalytic drivers for small business development, job creation and economic growth.

It is important to note that the work to build and maintain our province's roads cannot be left on the shoulders of RAL alone. Collective effort and strategic partnerships with the private sector remain a key contributor to RAL's success.

To this end, the Roads Agency Limpopo's leadership has successfully forged strategic partnerships with key role players in the mining, tourism and agricultural sector. As a province, we continue to reap the fruits of these strategic partnerships. Through such initiatives RAL continues to unlock co-funding opportunities as these partnerships are entered into. These co-funding opportunities are coming at a time when the Agency is experiencing a decrease in budgetary support from the provincial government, influenced by other economic factors. Whilst the strategic partnership initiative is welcome, more needs to be done by RAL in the future to harness more strategic partnership opportunities. It would therefore be good for the province for more Public Private Partners in all economic sectors to join hands as we all harness the available resources to support the noble objective of taking Limpopo to greater heights, especially in the path to economic recovery from the COVID19 pandemic.

In the year under review, RAL has continued to consistently use roads projects as pathways for community-based economic empowerment. It is an encouraging and commendable approach by RAL to continue to ensure that the upgrading and maintenance contracts empower local labourers from local job seekers comprising of women, youth and people with disabilities. This is part of the deliberate intent of government in insuring that the previously disadvantaged groups in society are empowered. Equally commendable is the ability of RAL to enforce main contractors to sub-contract approximately 30 per cent of the total contract value to locally based Small, Medium and Micro Enterprise (SMMEs).

At this point in time, we urge RAL's leadership to continue to use road infrastructure

projects as compelling tools to fight high levels of youth unemployment, inequality and poverty in communities where roads projects are implemented.

Over and above employment and sub-contracting of locals, there continue to be initiatives for equipping local youths, women and people with disabilities with self-reliance skills, as part of roads projects implementation. These initiative is key for communities' self-sustenance as a sizeable percentage of youths, women and people with disabilities who benefited from RAL's skill development programmes are either employed or have ventured into their own brand of businesses. Going forward, we ought to accelerate on such endeavours, to ensure that more unemployed young people have access to these skills development opportunities.

The roads that we continue to build as a province inspire hope and have positive impact on every element of our social, economic and business ecosystem. It is therefore in that spirit, that is remains important that we approach the road development discourse with relentless focus, renewed commitment and determination. It cannot be that after 26 years of democracy, we still have villages, clinics and schools especially in rural areas that are not accessible due to lack of roads and bridges. Whilst we appreciate that communities have a right to demand tarred roads from their government, it is

also important to note that due to the persistent challenge of limited resources and a deteriorating economic climate, it might not be possible for RAL to upgrade every gravel road in the province into tar at a very high pace, but gradually the impact will be felt.

In that regard, we call upon communities to exercise great patience. However, we will not rest until our vision to connect the people through a well-maintained provincial road network is fulfilled. We remain confident that with better funding, unwavering support from our strategic partners, including communities and a renewed focus, this vision is within reach.

In conclusion, the work done by the Board and Management of RAL for obtaining an unqualified audit opinion cannot go without notice, and we therefore draw courage from such strides and continued improvement. For the past few years the Agency been maintaining this position in terms of audits by the Auditor-General of SA. As much as this is a good audit opinion, we wish and implore the Agency to improve to a clean audit. We are confident that they will achieve and maintain it for the future years. Let us continue to work together for better roads in the province.



NAMANE MASEMOLA
MEC: DEPARTMENT OF PUBLIC WORKS,
ROADS & INFRASTRUCTURE

5. Statement from the Board Chairperson



Mr Matome Ralebipi

Chairperson: RAL | Board of Directors

During the year under review, the Board of Directors of Roads Agency Limpopo (RAL) continued to ensure that executive management satisfactorily execute RAL's core mandate as prescribed in the RAL Act of 1998, the Companies Act No 71 of 2008 and in accordance with the King IV Report and the PFMA Act No 1 of 1999 and other applicable regulations. The King IV Report sets out parameters that guided the behaviour and operations of the Board. According to the King IV Report, the Board is responsible for steering and setting RAL's strategic direction, approving its policy and strategic plans, instilling a culture of accountability as well as to oversee and monitor the implementation of those plans by management.

Our primary concern during the greater part of the 2019/20 financial year was to consolidate the gains made in the past regarding our governance system and overall financial management framework. The 2019/20 financial year is remembered as the year when RAL started to harvest the fruits of its five-year turnaround strategy that was adopted during the 2015/16 financial year.

Building on the successes of the past three financial years, the Board continued to address some of the challenges identified in previous audit reports by the Auditor-General of South Africa (AGSA). The Board deliberately focused on those challenges that had a material effect on RAL's future audit outcomes.

Whilst the Board made notable progress in addressing a number of concerns raised in the previous AGSA's report, the Board however noted that due to limited staff capacity

in critical areas such as the Risk Management, Supply Chain Management and Internal Audit, some of the challenges raised by the AGSA still remain. However, I am pleased to announce that the Board has already set in motion stop-gap plans to strengthen capacity in the focal areas mentioned above. Our hope is that by improving capacity in these areas, the integrity of our control environment will be significantly enhanced. The Board is of the view that once all these issues are adequately addressed, our five-year goal of obtaining and maintaining a clean audit opinion will become achieved.

Relentless focus was also directed towards strengthening RAL's funding environment. The Board was greatly concerned that despite concerted efforts in the past to diversify RAL's funding base, its operations remain prone to the harsh realities of budgetary constraints. As part of efforts to improve RAL's funding and operating leverage, the Board built on the momentum created by the five-year turnaround strategy to broaden RAL's funding base through enhanced strategic partnerships. The decision to enhance strategic partnerships with the private sector was based on the notion that both RAL and its strategic partners stand to mutually benefit by pooling resources, know-how and expertise to address commonly identified accessibility and road safety challenges facing priority communities. In light of this, the Board remains grateful to the positive response it received especially from its partners in the agricultural, tourism and mining sectors.

One of the main highlights of the 2019/20 financial year remained the review of RAL's strategic plan. The Board undertook to review RAL's 2014-2019 Strategic Plan in order to enhance its fit-for-purpose and responsiveness. The overall aim of the review initiative remained to strengthen the Agency's service delivery landscape whilst at the same time improving the overall financial governance framework of the entity. The review culminated into the development of RAL's 2020 – 2025 Strategic Plan. RAL's 2020 - 2025 Strategic Plan is unique in that it the planning process was done in tandem with the Revised Framework on Strategic Plans and Annual Plans as outlined by the national Department of Planning, Monitoring and Evaluation (DPME).

Key impact areas identified in the plan included among others, (1) Stakeholder Management Excellence as a tool to mitigate the risk of community protests, (2) Financial Management Excellence as an avenue to steer RAL on the path of financial sustainability, (3) Operational Excellence as a tool to create, capture and deliver

customer value and (4) Research and Development Excellence as an instrument to promote the development of alternative, innovative and cost-effective methods of paving provincial roads.

During the financial year, RAL's 20 091-kilometre-long road network (of which 31% is paved/tarred road surface and 69% is gravel or dirt) continued to facilitate the mobility of people and the movement of goods and services from the province to various destinations. Ever since RAL was formed in 1999, the Agency has been at the forefront of Limpopo's socio-economic transformation journey. During the year under review, RAL proved that with the right support of its strategic partners, its various road construction and maintenance projects can provide a sustainable solution to some of the socio-economic challenges facing the province.

During the greater part of the reporting period, the Board remained committed to use RAL's road projects as tools to achieve the National Development Plan (NDP) 2030 priorities of poverty alleviation, job creation and improvement in the economic participation of Historically Disadvantaged Individuals (HDIs). As part of our social responsibility to local communities where RAL projects were implemented, the Board ensured that RAL's various road infrastructure projects continue to create jobs that benefited mostly local youth, women and people with disabilities.

Through its Small, Medium and Micro Enterprise (SMME) Empowerment Programme, local contractors accessed numerous sub-contracting opportunities. In addition, hundreds of youth, women and people with disabilities also participated in various



MATOME RALEBIPI
CHAIRPERSON: RAL BOARD OF DIRECTORS

skill development programmes that were done in conjunction with Construction Education and Training Authority (CETA). As the Board of RAL, we remain vigilant and resolute about improving RAL's service delivery environment. This will be achieved by strengthening our partnerships with our stakeholders and prioritising road construction and maintenance projects that have a positive impact on the socio-economic conditions of the province. We will remain committed to improve connectivity and mobility in areas around the recently established Musina-Makhado Special Economic Zone. Lastly, I wish to express my heartfelt thanks to the wise counsel and on-going support we continue to receive from the Limpopo Provincial Government's Shareholder representative - the MEC for Limpopo Department of Public Works, Roads and Infrastructure, Honourable Dickson Namane Masemola. My gratitude also goes to fellow Board members and the Agency's executive management team under the leadership of the Chief Executive Officer Gabriel Maluleke.

6. Overview by the Chief Executive Officer



Mr Gabriel Maluleke
Chief Executive Officer

As a public entity wholly-owned, controlled and funded by the Limpopo Provincial Government through the Limpopo Department of Public Works, Roads and Infrastructure (DPWRI), and in line with the King IV Report and other applicable National Treasury Guidelines, Roads Agency Limpopo (RAL) has a statutory responsibility to share its annual performance report with its shareholder and other key stakeholders. Principle 5 of the King IV Report obligates RAL to ensure that all reports issued by the Agency enable its stakeholders to make informed assessments of RAL's performance, and its short, medium and long term prospects.

RAL's mandate is clearly set out in Section 25 of the Limpopo Road Agency Proprietary Limited and Provincial Roads Act 7 of 1998 as

amended. Section 25(1) of this Act places the responsibility for the planning, designing, construction, operation, management, control, maintenance and rehabilitation of all provincial roads on the shoulders of RAL. RAL's primary role remains to facilitate economic activity and the mobility of the people of Limpopo Province by providing an accessible, safe and reliable provincial road network. This responsibility is well-captured in RAL's vision. The vision of RAL is to contribute to the socio-economic development by connecting the people of Limpopo Province. In pursuit of this vision, our conduct, actions, choices and decisions continue to be guided by our core values which are deliberately aligned to Batho- Pele Principles.

During the 2019/20 financial year, our strategic focus was aligned to the National

Development Plan (NDP), Limpopo Development Plan (LDP) and the Medium Term Strategic Framework (MTSF) priorities. The NDP's vision is that, by 2030, South Africa should enjoy a strong network of economic infrastructure that supports the country's economic and social objectives. RAL contributes to the NDP's 2030 vision by creating jobs opportunities to local communities in areas where its road projects are implemented. As an Agency of the Provincial Government responsible for constructing and maintaining provincial roads, RAL's value creation process was benchmarked by the following three MTSF priorities:

- **Priority 1** Economic Transformation and Job Creation,
- **Priority 2** Education, Skills and Health and
- **Priority 6** Capable, ethical and developmental state.

In pursuance of these MTSF priorities, RAL prioritised road construction and maintenance projects that had a positive impact on local economic growth, job creation, Small, Medium and Micro Enterprises (SMME) empowerment and skill development.

Service Delivery Landscape

During the 2019/20 financial year, RAL operated under one of the most difficult operating landscapes in history. The landscape was characterised by relatively low spending in new road upgrades. This was worsened by a high demand for tarred roads, exorbitant road upgrade costs, a steady increase in community protests, a huge service delivery backlog as a result of over commitments and a general decline in public infrastructure spending across the country. One of the factors that continued to put pressure on our road maintenance bill was climate change. Our road assets were particularly vulnerable to climate stressors such as high temperatures and increased flooding. The damage and accelerated aging of roads caused by climate change had a negative bearing on our road maintenance and rehabilitation costs. In the future, our aim is to invest in low-cost road construction technologies and work methods. We are currently working with our partners in the higher education and training sector to develop construction technologies that will deliver resilient roads that are resistant to

these climate change risks. This will be achieved by collaborating with institutions of higher learning and other strategic partners in the research and development sector.

Although Limpopo province has a relatively good core network of road infrastructure, the challenge remains to maintain and expand it to ensure inclusive economic growth. The 2019/20 financial year witnessed a steady increase in the demand for upgraded roads.

The demand for roads in the province was driven by three main factors, which are:

1. the demand for upgraded roads by communities who regularly utilise an integrated network of provincial roads to access essential public goods and services such as schools, clinics, hospitals, work opportunities etc. Good quality road connections can greatly expand access to jobs, markets, schools and hospitals etc. Rural communities continue to view upgraded roads as an essential lifeline that links isolated villages to economic opportunities and services. During the financial year, RAL noted with grave concern that some impatient and dissatisfied communities are increasingly resorting to violent protests as a mechanism to communicate unresolved service delivery concerns.

Whilst RAL remains committed to address legitimate community concerns, the Agency however, remained intolerant to activities of unruly elements who hijack genuine community grievances to cause chaos at its construction sites for their selfish ends. RAL is however thankful to the influential role played by the shareholder in stabilising the protest activity,

2. the demand for upgraded roads by predominantly road-dependent sectors such as mining, tourism and agriculture etc.

3. the demand for well-maintained tarred roads within the Province's Special Economic Zone (SEZ) regions (Musina-Makhado SEZ) and the proposed Fetakgomo-Tubatse SEZ). Our considered view is that as the two SEZ regions in the province become active and fully operational, the demand for well-maintained tarred roads in those regions will steadily rise.

The high demand for roads in the province should be understood within the context of a study conducted by the World Bank in 2018, titled Infrastructural Development in Sub-Saharan Africa. According to the study, approximately 75 per cent of freight in South Africa is transported by road, making road the most popular mode of transport in South Africa. The most daunting and challenging task that faced RAL throughout the financial year was to deliver a properly planned and well-maintained road system in an environment characterised by high-levels of demand, limited funding, high incidences of community protests and an increasingly deteriorating economic climate.

During the 2019/20 financial year, at the apex of RAL's priorities included among others:

- 1.** the need to pro-actively integrate legitimate community concerns into RAL's road demand planning mechanism,
- 2.** the need to consolidate gains made in the strategic partnerships front,
- 3.** the need to improve our audit outcomes,
- 4.** the need to enhance the economic participation parity of Historically Disadvantaged Individuals (HDIs) and
- 5.** the need to rally our stakeholder behind a shared road development vision. Our primary role as the executive management remained to carefully deploy RAL's resources (physical, financial, skills, material) towards the construction and maintenance of provincial roads that create, capture and deliver optimal economic and public value. Given the provincial government's limited finances, private funding through strategic partnerships remained an integral component of RAL's business strategy. Our view is that for our provincial roads to deliver the best possible return and bring lasting development, it is critical that the private sector play a meaningful and prominent role in funding road projects that have a positive impact on their business operations.

The challenges highlighted above required that RAL develop a stakeholder-centred road development prioritisation plan.

Road Infrastructure

During the 2019/20 financial year, RAL continued to play its part in building new roads and maintaining existing road infrastructure investments in line with its core mandate. This was achieved through strategic partnerships with the private sector and the stepping up of engagements with local communities. To this end, the Agency upgraded 87 kilometres of road from gravel to tar. In addition, a total of 77360 sq metres of surface roads were rehabilitated and in the process creating 561 full time equivalent jobs at a cost R38 million. Our road asset base continued to grow albeit at a relatively slower pace than anticipated. The slow growth is attributed to the high costs of upgrading gravel roads and the marked decrease in successive road upgrade budgets. Thanks to the unwavering support from our shareholder representative, Hon Dickson Masemola, and the trust and confidence we continue to earn from our friends in the private sector, RAL is now managing a total road asset base 20 091 km. Of this, 69 per cent or (13 916 km) consists of gravel whilst 31% or (6 175 km) is tarred. RAL's future challenge remains to intensify the upgrade of gravel roads into tarred roads low-cost alternative road construction technologies and work methods.

Currently, the Agency pays between R8 million and R12 million for every single kilometre upgraded. RAL's work in community development has gained momentum over time with many initiatives being launched. Many of these are highlighted in this report. These include the enhancement of skills of labourers employed by our contractors and small business empowerment. As part of RAL's efforts to stimulate local economic activity, the Agency spent a total R120 million on local Small, Medium and Micro Enterprises (SMMEs). During the same period, a total of 716 local labourers benefited from RAL's various skill development programmes. The programmes were implemented in conjunction with the Construction Education and Training Authority (CETA) and other Sector Education and Training Authorities.

Talent Management and Retention

RAL's business philosophy is built on the notion that its employees represent its most valuable assets. Subsequently, the strengths of RAL lie on the combined skills, experiences, commitments and hard work of its employees. We continuously rely on our hard working and principled employees to create, capture and deliver value to our stakeholders. To this end, RAL fully appreciates the need to continuously attract, develop and retain its key talent, especially in the face of an increasingly fluid labour market. In furtherance of this objective, the Agency continually invested in various employee training and development programmes. One such programme was the training of 21 of our Occupational Health and Safety (OHS) ambassadors in best practices in OHS. RAL encourages its employees to pursue work-aligned career advancement skill programmes in order to keep them updated on evolving knowledge and skill trends and practices.

Audit Outcome

The Board and Management fully appreciate the centrality of an effective resource governance and management system to RAL's overall success. Whilst during the past three financial years, management worked tirelessly to stabilise RAL's financial management environment, the past financial year, saw organisational energies being directed towards strengthening the Agency's control environment. Management is satisfied that a lot has been done to improve financial management prudence.

The Agency obtained yet another qualified audit opinion from the Auditor General of South Africa. Whilst RAL welcomes this important milestone, it is also important to note that the unqualified audit outcome fell short of management's expectations. Initially, management had targeted a clean audit but due to capacity challenges highlighted above, those expectations were not met. Our primary focus in the 2020/21 financial year is to strengthen human resource capacity in the internal audit, SCM and RM functions. This will also include working tirelessly to improve the validity and coherence of our performance information as directed by the AGSA's Report.

Management also noted with great concern that the cost of upgrading gravel roads into tarred surface continue to be high. In light of this, management remained committed to explore innovative ways in which the cost of upgrading roads can be reduced. In our view, the idea of reducing the paving cost/kilometre can only be realised through forging mutual partnerships with local universities and research institutions. Our hope is that by strengthening our research and development environment, we will be able to significantly drive down the cost of upgrading a single kilometre.

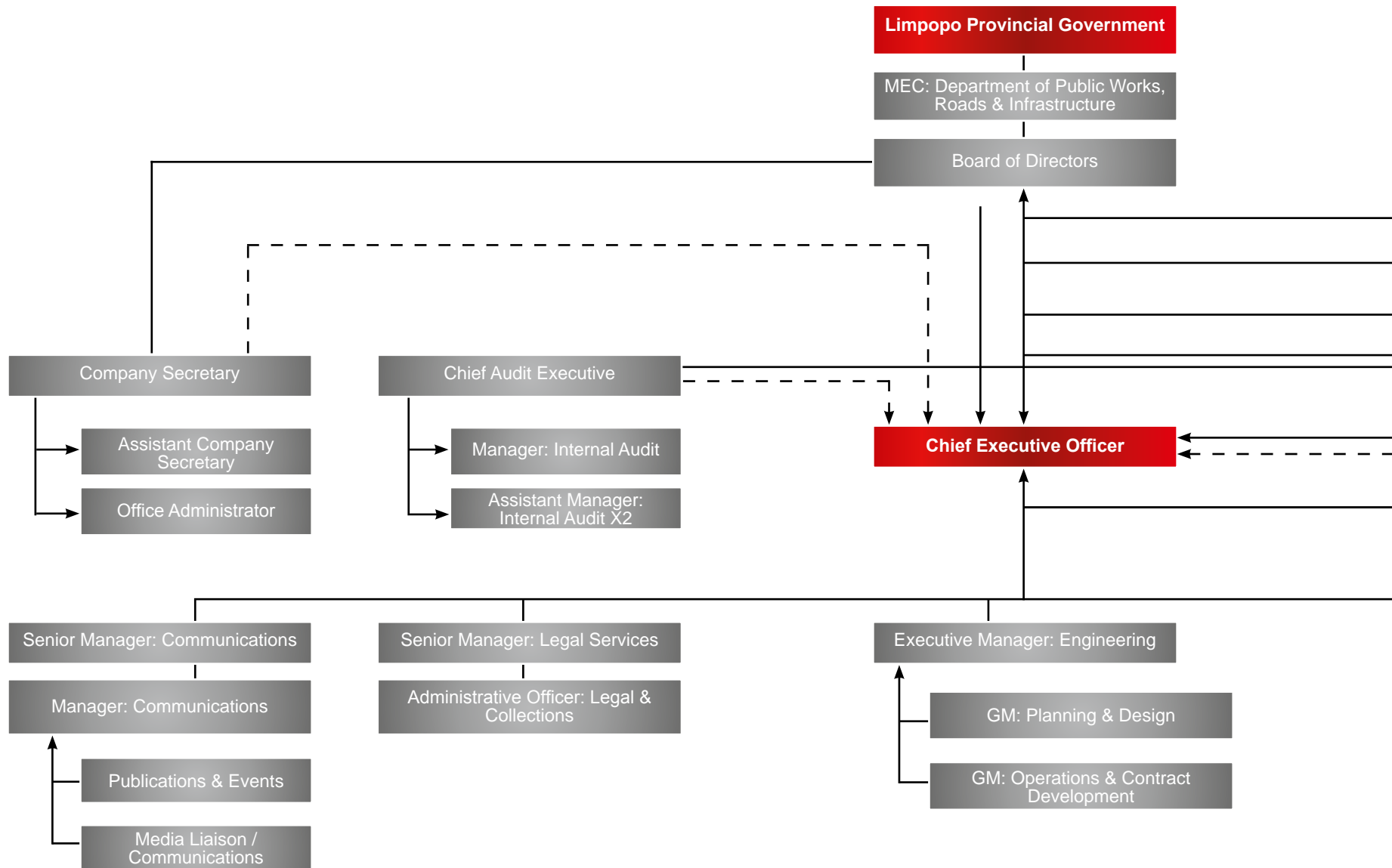
During the financial year, RAL continued to enjoy the trust and goodwill of its strategic partners. Strategic partnerships are key to efforts by the Agency to improve its financial and operating leverage. The idea of strategic partnerships was mooted after realising that by its nature, road construction and maintenance is a capital intensive enterprise. Given the current funding scenario that is characterised by persistent budgetary constraints, the strategic partnership route presented a perfect opportunity for the Agency to augment its increasingly constrained budget. During the financial year, management intensified efforts to strengthen existing strategic partnerships as well as to mobilise new strategic partners into the RAL family. We are grateful to our partners in the mining and agricultural sector who continued to provide the much-needed financial support to RAL.

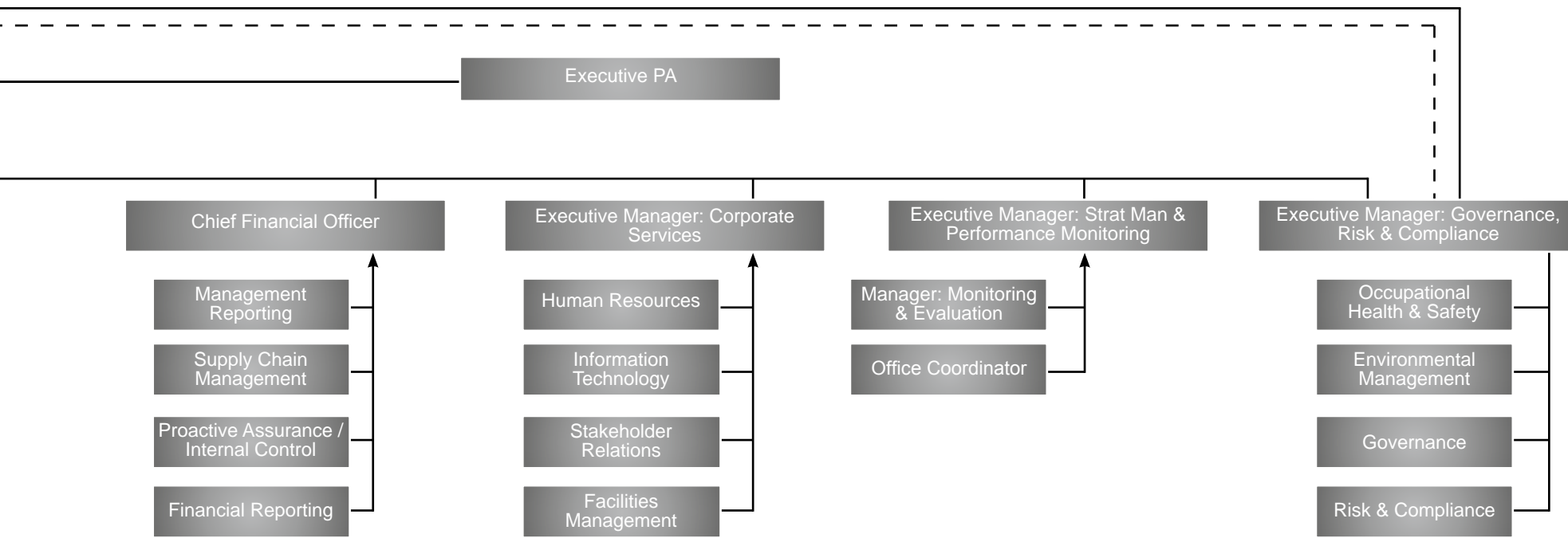
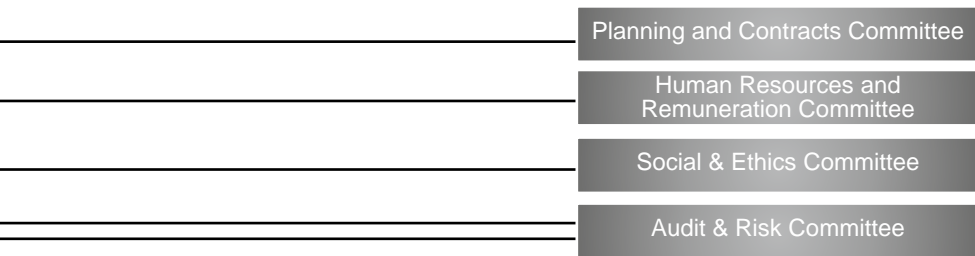


GABRIEL MALULEKE
CHIEF EXECUTIVE OFFICER

Lastly, on behalf of the executive management of RAL, I want to take this opportunity to thank our shareholder representative, Hon Dickson Masemola whose unparalleled leadership and policy oversight experience continue to be cherished by the RAL family. My gratitude also goes to the Chairperson and members of the board and its committees for the time and attention they devote to the agency. In periods of turbulence like ours, collective wisdom plays an unusually important role. Finally, to our managers and staff members who are ultimately custodians of the agency's reputation and track record of performance: thank you for yet another year of service with integrity.

7. Approved Organisational Structure





8. RAL Shareholder and Board of Directors



Hon. Namane D Masemola
MEC: Department of Public Works,
Roads and Infrastructure

The Shareholder, Honourable Mr Dickson Masemola, MEC for Department of Public Works, Roads and Infrastructure appoints the Board of Directors who carries the oversight responsibilities for functioning of Roads Agency Limpopo.

The Honourable MEC Masemola has a full control of RAL, in his capacity as the member of Executive Council responsible for Public Works, Roads and Infrastructure, on behalf of the Limpopo Provincial Government. RAL

is a statutory body established under an Act of Parliament, the Limpopo Province Roads Agency Proprietary Limited and Provincial Roads Act 7 of 1998 as amended.

The Agency has been Registered in terms of the Companies Act no 71 of 2008. Its registered name is the Roads Agency Limpopo (SOC) Ltd. The Agency has been operational since 1999 and it was established to own and manage the provincial roads network of the Limpopo Province.



Mr. Matome Ralebipi
Chairperson: RAL Board of Directors



Mr. Gabriel M Maluleke
Chief Executive Officer



Ms. Tebogo Kekana
Company Secretary



Ms. Welheminah Moleko
Board Member



Mr. Kenny Tshivhase
Board Member



Ms. Mercy Ramabulana
Board Member



Mr. Patrick Makape
Board Member



Mr. Motlhanke Phukuntsi
Board Member





Part B
Situational Analysis



1. Situational Analysis

1.1 Service Delivery Environment

The Road Infrastructure Programme is the central pillar of RAL's business model. This pillar gives practical effect to the RAL Act of 1991. RAL has a duty to provide an accessible, reliable, and safe provincial road network.

The province currently has 20 091 kilometres (km) of roads, of which 6 377,62 km is tarred and 13 713,38 km is gravel. The fact that 68,26 per cent of the provincial network is not paved give credence to the need to accelerate the upgrading of the network. The Agency obtains its revenue from the Provincial Road Maintenance Grant (PRMG), as well as Equitable Share (ES) from the Limpopo Provincial Treasury. Despite the constrained annual allocation of funds, RAL is committed to working tirelessly to eradicate the backlog of gravel or dirt provincial roads in Limpopo.

Due to budgetary constraints, the road network in the Limpopo Province has been deteriorating. Insufficient funds for maintenance have 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.

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.

2.1 Legislative and Regulatory Performance Reporting Framework

The purpose of this report is to present 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 (SP) and Annual Performance Plan (APP) for the 2019/20 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.

2.2 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 2019 to 31 March 2020, a total of 73 (seventy-three) targets were set. Out of 73 (seventy-three) targets, 51 (fifty-one) targets were achieved and 22 (twenty-two) targets were not achieved.





Glenover ↑
Stockpoort
← Vaalwater



Part B
Performance Report

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: Create a culture of Good Corporate Governance						
Sub-Programme 1: Legislative						
2.1 To comply fully with the applicable statutory and regulatory requirements and discharge contractual obligations.						
No.	Programme Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
2.1.1	Number of Company specific compliance checklists assessed and updated to ensure strict adherence to statutory and regulatory requirements relevant to RAL Business	4 Company specific compliance checklists assessed and updated to ensure strict adherence to statutory and regulatory requirements relevant to RAL Business	4 Company specific compliance checklists assessed and updated to ensure strict adherence to statutory and regulatory requirements relevant to RAL Business	Achieved	None	None, Operational Task
2.1.2	Number of contract registers assessed and updated to ensure full compliance with and fulfillment of RAL contractual obligations by all parties	4 contract registers assessed and updated to ensure full compliance with and fulfillment of RAL contractual obligations by all parties	4 contract registers assessed and updated to ensure full compliance with and fulfillment of RAL contractual obligations by all parties	Achieved	None	None, Operational Task
2.1.3	Number of reports on MVA claims and litigations updated and submitted to the Board to ensure that the Board is aware of all MVA claims and litigations	4 reports on MVA claims and litigations updated and submitted to the Board to ensure that the Board is aware of all MVA claims and litigations	4 reports on MVA claims and litigations updated and submitted to the Board to ensure that the Board is aware of all MVA claims and litigations	Achieved	None	None, Operational Task
Sub-Programme 1: Safety, Health and Environment						
2.2 To ensure compliance to all applicable safety, health and environmental management legislations.						
2.2.1	Number of Environmental Management Guidelines developed as per ISO 14001:2015	1 Environmental Management Guidelines developed as per ISO 14001:2015	1 Environmental Management Guidelines developed as per ISO 14001:2015	Achieved	None	None, Operational Task

2.2.2	Number of Health and Safety Guidelines developed as per ISO 45 001: 2018	1 Health and Safety Guidelines developed as per ISO 45 001: 2018	0 (Zero) Health and Safety Guidelines developed as per ISO 45 001: 2018	Not Achieved: Shortage of internal specialised technical capacity and expertise within the Health and Safety Unit has contributed largely to delays in developing the Health and Safety Guidelines.	The Limpopo Provincial Treasury will be engaged to request permission to fill the vacancies in this unit, which hamper the entity's ability to perform its duties.	None, Operational Task
Sub-Programme 1: Enterprise-wide Risk Management						
2.3	To maintain an effective, efficient and transparent system of financial, risk management and internal control.					
No.	Programme Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
2.3.1	Number of ERM Policy Frameworks and Standards approved	1 ERM Policy Framework and Standards approved	1 ERM Policy Framework and Standards approved	Achieved	None	None, Operational Task
2.3.2	% of Approved Governance Risk and Compliance Plan implemented	100% of Approved Governance Risk and Compliance Plan implemented	65% of Approved Governance Risk and Compliance implemented	Not Achieved: The shortage of human resources within the GRC Business Unit was a major hurdle in achieving the 2019/20 GRC Plan. As a result, the initially planned initiatives such as lack of defined Risk Appetite, Risk Indicators and Risk Maturity Assessment were not achieved.	The Limpopo Provincial Treasury will be engaged to request permission to fill the vacancies in this unit, which hamper the entity's ability to perform its duties.	None, Operational Task
2.3.3	Number of Compliance Policies approved	1 Compliance Policy approved	1 Compliance Policy approved	Achieved	None	None, Operational Task
2.3.4	Number of Compliance Frameworks approved	1 Compliance Framework approved	1 Compliance Framework approved	Achieved	None	None, Operational Task

Sub-Programme 1: Internal Audit						
2.4	To maintain a system of Internal Audit that enables full implementation of an approved Audit Plan.					
2.4.1	Number of Internal Audit Annual Plans approved by Audit and Risk Committee (ARC)	1 ARC approved Internal Audit Annual Plan	1 ARC approved Internal Audit Annual Plan	Achieved	None	None, Operational Task
2.4.2	Number of audit projects implemented from the approved Internal Audit Annual Plan	10 Audit Projects	10 Audit projects	Achieved	None	None, Operational Task
2.4.3	Number of reports on follow up audits conducted	3 Follow up reports	3 Follow up reports	Achieved	None	None, Operational Task
Sub-Programme 1: Asset Management						
2.5	To implement, manage and monitor an effective and efficient asset management system.					
No.	Programme Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
2.5.1	Number of updates of the Road Infrastructure Asset Register	4	4	Achieved	None	None, Operational Task
2.5.2	Number of updates of the Non-Infrastructure Asset Register	4	4	Achieved	None	None, Operational Task
2.5.3	Number of Infrastructure Assets verifications conducted	2	0	Not Achieved: The delay in the finalisation of the AFS due to the Covid-19 lockdown affected the verification of Infrastructure Assets.	The verification of Infrastructure Assets will be conducted from 2020/21 financial year once a service provider is appointed to implement the RAMS project. RAL is in the process of procuring services.	None, Operational Task

Sub-Programme 1: Financial Management						
2.6	To ensure the improved quality of overall financial management via efficient implementation of approved financial policies. To ensure appropriate management of RAL budget in respect of infrastructure and capital projects, operational expenditure over MTEF. To review and update delegation of authority.					
2.6.1	Clean audit report	1	0	Not Achieved: Unqualified Audit due to: <ul style="list-style-type: none"> • Non-compliance with SCM processes • Performance information which was not SMART • Material adjustments to financial statement. 	The implementation of both Internal Audit and AGSA action plans will be accelerated to rectify the weaknesses hindering the achievement of a Clean Audit Report.	None, Operational Task
2.6.2	Number of reviews and updates of the delegations of authority	1	1	Achieved	None	None, Operational Task
2.6.3	% of implemented corrective actions to rectify weaknesses identified by the Auditor General South Africa	100% reported weaknesses rectified	78.05% of the reported weaknesses has been rectified.	Not Achieved: Admin invoices are paid within 30 days. Projects invoices still paid after 30 days due to overcommitments.	A detailed plan to deal with over-commitment has been developed. Manager: Financial Reporting and Manager: Management reporting have been appointed.	None, Operational Task
2.6.4	Infrastructure expenditure as a % of the budget	100% spending of the allocated budget	Infrastructure spending 59% of budget	Not Achieved: PRMG grant was withheld due to failure to comply with the conditions of the grant.	RAL is now compliant with PRMG conditions.	None, Operational Task

2.6.5	Operational expenditure as a % of the budget	100% spending of the allocated budget	Operational spending 84% of budget	Not Achieved: Underspending on court settlements as the actual settlements were lower than initial estimates which was based on the previous years' settlements. Some of the consulting works were reduced to finance roads infrastructure.	The budgeted professional fees will be reduced, and the funds allocated to roads infrastructure.	None, Operational Task
2.6.6	Number of policies reviewed and submitted for approval	14 policies reviewed and submitted for approval	11 policies reviewed and submitted for approval	Not Achieved: The target of 14 policies reviewed was erroneously stated as there are only 12 approved finance policies. That last policy was only approved after year end.	This will be corrected moving forward to 12 and not 14 policies reviewed.	None, Operational Task

Sub-Programme 1: Procurement

2.7	To procure goods and services according to RAL BBBEE targets. To ensure compliance with SCM policies. To review and update SCM policies and procedures.					
2.7.1	Number of procurement plans submitted to Provincial Treasury	1 Procurement plan submitted to Provincial Treasury	1 Procurement plan submitted to Provincial Treasury	Achieved	None	None, Operational Task
2.7.2	Number of BBBEE procurement reports submitted to Provincial Treasury	12 BBBEE procurement reports submitted to Provincial Treasury	12 BBBEE procurement reports submitted to Provincial Treasury	Achieved	None	None, Operational Task

Goal 4: Create and Maintain Effective Organisational Structure

Sub-Programme 1: Information Communication Technology

4.1	To implement and maintain IT Strategy to RAL					
No.	Programme Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
4.1.1	Number of IT Strategic implementation reports	4 IT Strategic implementation reports	4 IT Strategic implementation reports	Achieved	None	None, Operational Task

4.1.2	Number of approved IT Risk Registers updated	4 updated IT Risk Registers	4 updated IT Risk Registers	Achieved	None	None, Operational Task
4.1.3	Number of IT Disaster Recovery Plans reviewed	1 Reviewed IT Disaster Recovery Plan	1 Reviewed IT Disaster Recovery Plan	Achieved	None	None, Operational Task
Sub-Programme 1: Communication						
4.2	To promote the image of RAL					
4.2.1	Number of RAL Brand audits conducted	1 RAL Brand audit conducted	0 brand audits have been completed	Not Achieved: The recommendations of the brand audit conducted 6 years ago are currently being implemented.	The identified gaps will be addressed in the 2020/21 financial year.	None, Operational Task
4.2.2	Number of media engagements conducted	4 media engagements conducted	4 media engagements conducted	Achieved	None	None, Operational Task
4.2.3	Number of Annual Reports printed and tabled at Provincial Legislature	1 Annual Report printed and tabled at Provincial Legislature	1 Annual Report printed and tabled at Provincial Legislature	Achieved	None	None, Operational Task
4.2.4	Number of external newsletters published and distributed	4 external newsletters published and distributed	4 external newsletters have been produced	Achieved	None	None, Operational Task
4.2.5	Number of media monitoring reports compiled	4 media monitoring reports compiled	4 media monitoring reports compiled	Achieved	None	None, Operational Task
Sub-Programme 1: Information, Knowledge, and Records Management						
4.3	To ensure proper information, knowledge, and records management.					
4.3.1	Number of knowledge management interviews conducted	4 knowledge management interviews conducted	4 knowledge management interviews conducted	Achieved	None	None, Operational Task
4.3.2	Number of disposal authorities issued	1 disposal authority issued	1 disposal authority issued	Achieved	None	None, Operational Task
4.3.3	Number of linear meters of records classified	4 linear meters of records classified	6.5 Linear meters of records classified	Over-achieved: More effort was put on classification of records to assist in solving records management backlog.	None	None, Operational Task

4.3.4	Number of records management training sessions conducted	2 training sessions conducted	5 training sessions conducted	Over-achieved: Due to the implementation of records management systems (file plans, etc) there was a need for more trainings.	None	None, Operational Task
Sub-Programme 1: Human Resources						
4.4	To review organisational structure. To ensure staff development.					
4.4.1	% of the Approved Recruitment Plan implemented	100% of the approved vacancies filled per annum	100% (6 out of the 7 advertised posts were filled. One declined the offer)	Achieved	None	None, Operational Task
4.4.2	% of the Approved Human Resource Annual Plan implemented	100%	100%	Achieved	None	None, Operational Task
4.4.3	% of the Approved HR Policy Framework complied with	100%	100%	Achieved	None	None, Operational Task
4.4.4	% of the Approved HR Training Plan implemented	100%	100%	Achieved	None	None, Operational Task
4.4.5	% of the Approved 5-year Employee Equity Plan implemented	100% of annual targets	100% of annual targets	Achieved	None	None, Operational Task
4.4.6	% of the Approved Performance Management System implemented	100%	100%	Achieved	None	None, Operational Task
4.4.7	% of the Approved Salary Adjustment implemented	100%	100%	Achieved	None	R4 262 696
4.4.8	Number of Established Employee Wellness Programme	1	0	Not Achieved: The budget for item was removed during adjustment budget.	The Employee Wellness Event will be done during the 2020/21 financial year depending on the Covid-19 progress.	None, Operational Task

4.4.9	Number of Established Labour Relations Services	1	0	Not Achieved: Non-existence of a recognised RAL Management and Employee representative forum. Terms of Reference of the forum were developed and shared with the Union. They are to be finalised by management and employee representatives.	Terms of Reference for the forum will be finalised in the 2020/21 financial year and the forum will be established.	None, Operational Task
4.4.10	% of building facilities maintained	100%	65%	Not Achieved: There were delays in the procurement of services of assessing the building and repairing assets and facilities that require repairing. The bid was advertised and waiting for evaluation by SCM. Other items in the building were properly maintained.	The bid evaluation will be done in the first quarter of the 2020/21 financial year.	R407 470

Goal 6: Facilitate and Maintain the Consolidation of Resources to Stimulate Economic Growth through Partnerships

Sub-Programme 1: Office of the CEO

6.1 To secure donor funding through Strategic Partnerships from both Public and Private Sector.

6.1.1	Total number of Agreements signed with strategic partners	4	3	Not Achieved: Negotiations with strategic partners take time to bear fruits.	Negotiations with strategic partners are still ongoing.	None, Operational Task
6.1.2	Total amount secured from public sector	R45 000 000	R0	Not Achieved: Negotiations with strategic partners take time to bear fruits.	Negotiations with strategic partners are still ongoing.	None, Operational Task

6.1.3	Total amount secured from other private sector	R150 000 000	R3 062 169	Not Achieved: Negotiations with strategic partners take time to bear fruits.	Negotiations with strategic partners are still ongoing.	None, Operational Task
6.2	To enhance research and development and innovation initiatives that support road infrastructure delivery.					
6.2.1	Total number of agreements signed with Universities	4	1	Not Achieved: Negotiations with strategic partners take time to bear fruits.	Negotiations with strategic partners are still ongoing.	None, Operational Task
6.2.2	Total number of agreements signed with Research Councils	4	1	Not Achieved: Negotiations with strategic partners take time to bear fruits.	Negotiations with strategic partners are still ongoing.	None, Operational Task
6.2.3	Number of functional R&D and Innovation Programmes 1. Alternative technologies to support road infrastructure delivery. Q2 2. Cost optimisation options for road infrastructure delivery (CSIR benchmarking). Q3 3. Innovation to support road safety. Q4	3	0	Not Achieved: Negotiations with strategic partners take time to bear fruits.	Negotiations with strategic partners are still ongoing.	None, Operational Task
6.3	To contribute towards social infrastructure and community needs through implementing RAL projects.					
6.3.1	% of construction costs allocated to Corporate Social Investment (CSI) in the project area	0,001% of construction costs allocated to CSI in the project area	0,001% of construction costs allocated to CSI in the project area	Achieved	None	None, Operational Task

Programme 2: Roads Infrastructure

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.

Goal 1: Ensure Effective Road Infrastructure Development and Management.						
Sub-Programme 2: Planning and Design						
1.1	To ensure an updated Road Asset Management System (RAMS) which reviews the condition of the paved and unpaved road network.					
No.	Programme Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
1.1.1	Approved Table B5 project list for the Medium Term Expenditure Framework (MTEF)	1 Approved Table B5	1 Approved Table B5	Achieved	None	None, Operational Task
1.1.2	Updated Network condition assessment Report from the RAMS	1 Report	1 Report	Achieved	None	None, Operational Task
1.1.3	Approved Road Asset Management Plan (RAMP) Report	1 Report	1 Report	Achieved	None	None, Operational Task
Sub-Programme 2: Construction and Operations						
1.2	To implement and manage contracts for upgrading and maintenance on an annual basis according to the protocol of supervision and SHE contractors' compliance pack.					
1.2.1	Number of m ² of surfaced roads rehabilitated	190 000 m ²	81 500m ²	Not Achieved: The rehabilitation of roads should have been funded through PRMG; however, the PRMG was withheld from Q2 till Q4 because of the entity's prior years' non-compliance with Conditional Grant requirements. In Q1, before the PRMG was held, RAL rehabilitated 81 500m ² of surfaced roads.	RAL is now compliant with PRMG conditions.	None, Operational Task

1.2.2	Number of kilometres of gravel roads upgraded (funded from Provincial Equitable share)	18km	87,62km	Over-achieved: The overachievement of this target is attributable to the fact that RAL's annual target of 18km was based on the allocated equitable share of R517m. However, RAL was allocated additional equitable share of R280m in October 2019 during the mid-year budget adjustment. Furthermore, NDoT allowed RAL to utilise 25% of PRMG for upgrades (as allowed by DORA) which equates to R254m, bringing the total amount available for road upgrades to R1051m.	None	None, Operational Task
1.2.3	Number of bridges completed	2 bridges	2 bridges	Achieved: During the financial year under review, 3 bridges were donated and handed over to RAL on 20 July 2019 by the Lepelle-Nkumpi Local Municipality. This increased the number of bridges that were in use in the 2019/20 financial year.	None	None, Operational Task
1.2.4	Number of m ² of blacktop patching (including pothole repairs)	1 500m ²	612,55m ²	Not Achieved: The patching of roads should have been funded through PRMG; however, the PRMG was withheld from Q2 to Q4 because of the entity's non-compliance with Conditional Grant in the prior year. The 612,55m ² blacktop patching was carried out by RAL's private strategic partner.	RAL is now compliant with PRMG conditions.	None, Operational Task

1.2.5	Number of kilometres of gravel roads re-graveled	10km	10km	Achieved: The re-graveling of gravel roads should have been funded through PRMG; however, the PRMG was withheld from Q2 to Q4 because of the entity's noncompliance with Conditional Grant in the years prior. The whole re-graveling of 10km was carried out by entity's private strategic partner.	RAL is now compliant with PRMG conditions.	None, Operational Task
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Sub-Programme 2: Land Use Management

1.3 To manage, control and protect the use of road reserves and building restriction areas continuously.

No.	Programme Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
1.3.1*	% of applications processed (in compliance with RAL standards)	93%	99%	Over-Achieved: The efficiency in processing applications improved by working on electronic documents as opposed to paper submission.	None	None, Operational Task

Goal 3: Promote and Manage Stakeholders' Relations.

Sub-Programme 2: Stakeholder Management

3.1 To promote and manage stakeholder relations to achieve buy-in and support of all stakeholders on successful planning and implementation of all projects.

No.	Programme Performance Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
3.1.1	Number of Quarterly Stakeholder Consultation Reports	4 Reports	4 Reports	Achieved	None	None, Operational Task
3.1.2	Number of SRCD Implementation Management Plan developed	1	1	Achieved	None	None, Operational Task

Goal 5: Support Employment, Growth and Development Strategy of the Province.

Sub-Programme 2: Job Creation, Empowerment, and Training

5.1	To create job opportunities in accordance with EPWP guidelines on all contracts annually. To promote the development of SMMEs on all contracts annually. To ensure training of locally based workers in all contracts on an ongoing basis.					
5.1.1	Number of Full Time Equivalent (FTE) Jobs Created	557	561	Over-achieved: RAL Contractors appointed more labourers than initially planned.	None	None, Operational Task
5.1.2	Amount (Rands) spent on employing labour	R30 305 000	R33 504 318	Over-achieved: RAL Contractors appointed more labourers than initially planned, this resulted in higher expenditure.	None	None, Operational Task
5.1.3	Updated database for Emerging Contractors annually	1 Updated Database Report	0 Updated Database Report	Not Achieved: Data bases for emerging contractors are compiled at the project level.	This will be assessed as per project outputs in the next financial year.	None, Operational Task
5.1.4	Amount paid to SMMEs Contractors and Sub Contractors	R125 000 000	R134 097 909	Over-achieved: RAL Contractors appointed more SMMEs than initially planned, this resulted in higher expenditure.		None, Operational Task
5.1.5	Number of local workers trained	525	531	Over-achieved: The actual number of labourers appointed was higher than planned, this resulted in more local workers trained.		None, Operational Task
5.1.6	Number of work opportunities created	1 155	1 210	Over-achieved: RAL Contractors appointed more labourers than initially planned.	None	None, Operational Task

5.1.7	Number of youths (18-35) employed	705	715	Over-achieved: RAL Contractors appointed more labourers than initially planned and this resulted in more youths employed. RAL also focused on appointment of designated groups of youth, women, and people with disabilities.	None	None, Operational Task
5.1.8	Number of women employed	705	711	Over-achieved: RAL Contractors appointed more labourers than initially planned and this resulted in more women employed. RAL also focused on appointment of designated groups of youth, women, and people with disabilities.	None	None, Operational Task
5.1.9	Number of people living with disabilities employed	23	4	Not Achieved: Fewer people with disabilities were employed during the year due to the physical demands of the projects that RAL implemented.	None	None, Operational Task
5.1.10	Number of SMMEs contracted	420	460	Over-achieved: RAL Contractors appointed more SMMEs than initially planned.	None	None, Operational Task

* 121 applications will be processed per quarter.

Annual Performance Report Information: 01 April 2019 to 31 March 2020

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 approved Quarterly Performance Reports for the Financial Year 2019/20,
- Was verified by the Chief Executive Officer and found reliable, accurate, complete, and valid.



GABRIEL MALULEKE
CHIEF EXECUTIVE OFFICER



MATOME RALEBIPI
RAL BOARD CHAIRPERSON



GENIUS
WAKI 2000
LRP
Diesel
SPEED POINT WATERBURY
MAY 2000





Part C
Governance, Risk
and Compliance
Management

Performance Information

The Board of Directors, with the assistance of the Company Secretary is responsible for setting the right ethical tone conducive to Corporate Governance.

1. Portfolio Committee

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.

2. 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.

3. 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 arise, and to account for any advantages gained in discharging their duties on behalf 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.

Composition of the Board

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	No. of Meetings Attended
Mr. M.S. Ralebipi	Chairperson of the Board	02/02/18	n/a	<ul style="list-style-type: none"> • BCom Accounting • Higher Diploma in Computer Accounting • CRISC • Certificate in Strategic Leadership 	<ul style="list-style-type: none"> • Finance & Auditing 	Roads Agency Limpopo	Nominations	3 Board
Mr. X.R. Mulamula	Board Member i.t.o section 12 (3) Representing Provincial Treasury	02/02/18	04/11/19	<ul style="list-style-type: none"> • NQF7 Governance and Administration • Post-Graduate Diploma (Business Administration) • Certificate in Public Management & Leadership (USA)4.M • MBL • IOD – Certified Director 	<ul style="list-style-type: none"> • Corporate Governance 	Roads Agency Limpopo	Planning & Contracts; Social & Ethics	2 Board 2 Planning & Contracts
Mr. MPK Tshivhase	Independent Director	02/02/18	n/a	<ul style="list-style-type: none"> • B. Iuris 	<ul style="list-style-type: none"> • Law 	Roads Agency Limpopo	HR & Remunerations; Social and Ethics.	3 Board 4 REMCO

Ms T. M. Ramabulana	Independent Director	02/02/18	n/a	<ul style="list-style-type: none"> • B.A. (Social Science); Cert. Marketing; Dip. Personnel & Training; Dip. Labour Law; MDPt Man 	<ul style="list-style-type: none"> • Social Science. • Human Resources 	Roads Agency Limpopo.	Nominations Committee; Human Resources and Remuneration; Contracts and Planning.	<ul style="list-style-type: none"> 2 Board 3 REMCO 3 Planning & Contracts
Mr. S.W. Sathekge	Board Member i.t.o section 12(3)	11/02/20	31/05/20	<ul style="list-style-type: none"> • BTech Civil: Urban Eng.; HCert. Project Management 	<ul style="list-style-type: none"> • Civil Engineering 	Roads Agency Limpopo.	Finance; Human Resources and Remuneration.	<ul style="list-style-type: none"> 2 Board
Ms. W.N.G. Moleko	Independent Director	02/02/18	n/a	<ul style="list-style-type: none"> • BA Education • BA (Hons) • MA • M Ed, • Postgrad Diploma in Telecommunications and Information Policy • Monitoring and Evaluation Course • Technology in Distance Education and E-learning Course 	<ul style="list-style-type: none"> • Human Resources • Education 	Roads Agency Limpopo	HR & Remunerations; Nominations; and Contracts and Planning.	<ul style="list-style-type: none"> 3 Board 5 REMCO 4 Planning & Contracts
Mr. GM Maluleke	CEO CEO	01/03/19 02/01/2020	31/12/19 n/a	<ul style="list-style-type: none"> • BCompt • BCompt (Hons) • Certificate in Mining Taxation • Certificate in Theory Accountancy • Diploma in Insolvency Law and Practice 	<ul style="list-style-type: none"> • Chartered Accountant specialising in Financial Management 	Roads Agency Limpopo	N/A	<ul style="list-style-type: none"> 3 Board 5 ARC 4 REMCO 3 Planning & Contracts

Ms. MG Mokoka	Audit & Risk Chairperson	20/11/15	n/a	<ul style="list-style-type: none"> • BCom (Accounting) • BCom (Hon) • Postgrad Diploma in Management (Financial) • Postgrad Diploma (Auditing) 	<ul style="list-style-type: none"> • Chartered Accountant specialising in Financial Management 	Roads Agency Limpopo	Audit & Risk	6 ARC 1 Board
Mr. Z Samsam	Audit & Risk Member	20/11/15	n/a	<ul style="list-style-type: none"> • BCom • Postgrad Diploma in Accountancy • Advanced Certificate in Auditing 	<ul style="list-style-type: none"> • Chartered Accountant specialising in Financial Management 	Roads Agency Limpopo	Audit & Risk	6 ARC 2 Board
Mr. T. Boltman	Audit & Risk Member	01/01/20	n/a	<ul style="list-style-type: none"> • B Tech Internal Auditing • National Diploma Internal Auditing • Postgrad Diploma Certified Internal Auditing 	<ul style="list-style-type: none"> • Certified Government Auditing Professional • Certified Internal Auditor 	Roads Agency Limpopo	Audit & Risk	5 ARC

*Mr. S.W. Satheke was appointed as a Board Member i.t.o section 12(3) on 11th February 2020.

*Mr T Boltman was appointed as a member of the Audit and Risk Committee on 1st January 2020.

* Mr. R. Mulamula ceased to be a Board Member and a member of any of the committees of the Board on 4th November 2019.

Remuneration of the Board

Names	Remuneration	Other Allowances	Other Reimbursements	Total
Mr. MS Ralebipi	894 000.00	-	-	894 000.00
Ms. WNG Moleko	385 000.00	-	-	385 000.00
Ms. TM Ramabulana	385 000.00	-	-	385 000.00
Mr. MPK Tshivhase	385 000.00	-	-	385 000.00
Ms. MG Mokoka	209 000.00	-	-	209 000.00
Mr. Z Samsam	198 000.00	-	-	198 000.00
Mr. T Boltman	172 000.00	-	-	172 000.00

Committees of the Board

Committee	No. of meetings held	No. of members	Name of members
Audit and Risk Committee	6	3	Ms M. Mokoka, Mr Z. Samsam; Mr. T. Boltman
Human Resources and Remuneration Committee	5	3	Ms W.N.G. Moleko, Mr M.P.K. Tshivhase, Ms M.T. Ramabulana
Contracts and Planning Committee	4	3	Ms M.T. Ramabulana, Ms W.N.G. Moleko, Mr X.R. Mulamula
Nominations Committee	0	3	Mr M.S. Ralebipi, Ms W.N.G. Moleko, Ms T. M. Ramabulana
Social and Ethics	0	2	Mr. K. Tshivhase, Mr. X.R. Mulamula

*Mr T Boltman was appointed as a member of the Audit and Risk Committee on 1st January 2019.

* Mr. R. Mulamula ceased to be a member of the Contracts and Planning Committee and the Social and Ethics Committee on 4th November 2019.

1. Risk Management

Section A: Risk Management

The Board of Directors, through its Audit and Risk Committee provided a continued oversight role in monitoring the effectiveness and efficiency of the Agency's risk management system, in support of the Five (05) Year Strategic Plan: 2020 – 2025. This oversight function had included the process followed in the identification, analysis, valuation, monitoring and reporting of top ten risks exposures facing the organization, in order to, increase the likelihood of achieving set objectives, as well as, the minimization of operational surprises and losses. There has been a significant improvement in the generation of lessons learned reports for the completed construction projects across the Agency in the past year.

The multiple construction projects were subjected to the project risk management principles for successful achievement based on the principles of cost- effectiveness, quality management, and meeting the set time lines. As a result, the project management concepts continue to be on an upward trajectory in terms of growth and maturity. The Agency's risk management system has been aligned to the international best practice guidelines (ISO 31 000: 2009, COSO Framework, King IV Report on Corporate Governance in South Africa: 2016, the Public Sector Risk Management Framework and Provincial Risk Management Framework). The Five (05) Governance, Risk and Compliance Plan was developed aimed at improving the risk management maturity at all levels within the Agency.

Section B: Fraud and Corruption

The fraud and corruption policy together with its plan were developed and put into place for prevention and detection of any potential fraud and corruption-related risks facing the organisation. As a result, the Agency hosted a successful anti-fraud and corruption awareness campaign ('the campaign') on the 28 February 2020, where a total of approximately sixty (60) attendees comprising of internal and external delegates were in attendance. The campaign was hosted in conjunction with other governmental departments and entities such as the Public Service Commission, the National Department of Arts and Culture as well as the Department of Correctional

Services. The main activities included the presentations by various delegates, sharing of stories by ex-convicts of other forms of fraud and corruption committed and on why crime does not pay. The focus of area was on official launching of the National Anti-Corruption Hotline for Public Service: 0800 701 701 (TOLL-FREE) for reporting any potential fraud and corruption allegations.

Section C: Safety, Health and Environment

The established Health and Safety Committee ("The Committee") played a continued significant role in embedding a safe and healthy mindset, in ensuring compliance with the requirements of Occupational, Health and Safety Act 85 of 1993 and all its applicable Regulations. RAL had developed the COVID-19 regulations and guidelines in ensuring that the safe return of its employees and service providers (Contractors) across all the construction sites in promoting a health and safe working environment. In addition, this included the regular monitoring and reporting of the construction activities in ensuring compliance with the applicable regulatory universe. The COVID-19 precautionary measures were also put into place to minimise the potential spread of the virus across (internal and external) RAL. In addition to the above, RAL hosted a successful health and safety awareness day on 27 February 2020, for the purposes of educating staff members on the role and importance of health and safety throughout the organization. The event was also attended by the delegates from other leading public and private sector organisations ("Polokwane Municipality, Transnet, Otis as well as the Department of Employment and Labour").

The Environmental Management unit ("unit") had assisted in monitoring environmental management compliance in all the construction projects, were done, in accordance, with the provisions of applicable pieces of legislations and standards in preventing any potential damage or destruction to the environment. Furthermore, the unit had successfully participated in various stakeholders participation meetings as part of the Environmental Impact Assessment requirements in the past year.

2. Proactive Assurance and Internal Control Unit

Housed in the Finance unit of RAL, is the Proactive Assurance and Internal Control division which ensures provides assurance, ensures that the Auditor-General Audit Action Plan is adhered to and that findings are resolved. Also performed in the division, is the function of ensuring that in procuring goods and services, the procurement checklist is complied with.

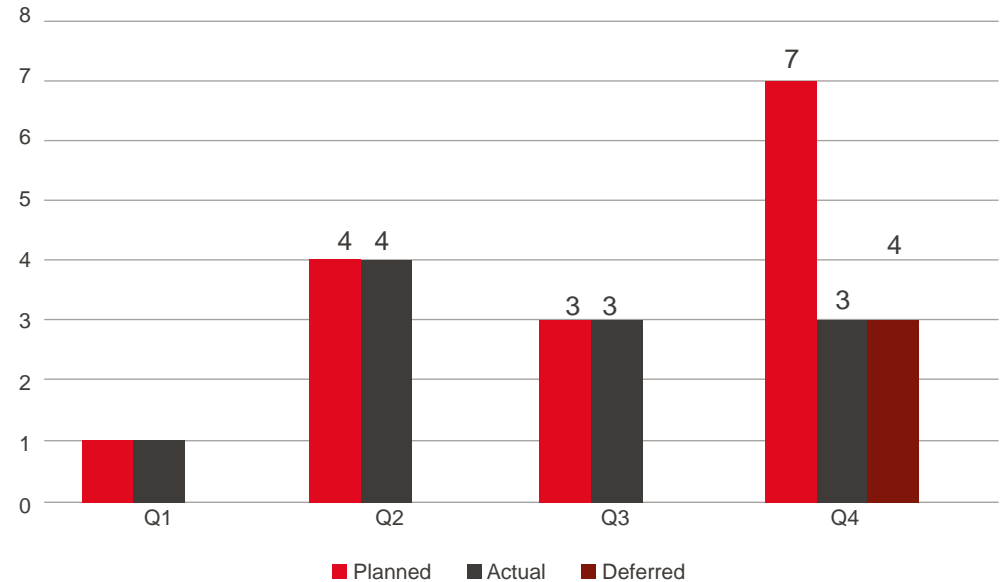
In order to meet its responsibility with respect to providing reliable financial information, Roads Agency Limpopo maintains financial and operational systems of internal control. These controls are designed to provide reasonable and reliable assurance that transactions are concluded in accordance with prescribed regulations, that the assets are adequately safeguarded against material loss of unauthorised acquisition, use, or disposal and those transactions are properly authorised and recorded.

3. 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.

Annual Performance

In terms of the Internal Audit Plan for the financial year 2018/2019, as approved by Audit and Risk Committee, fifteen (15) internal audit project were planned for implementation, however, only eleven (11) audit projects were finalised and four (4) projects have been deferred for execution in the 2019/20 financial year.



Audit Outcome

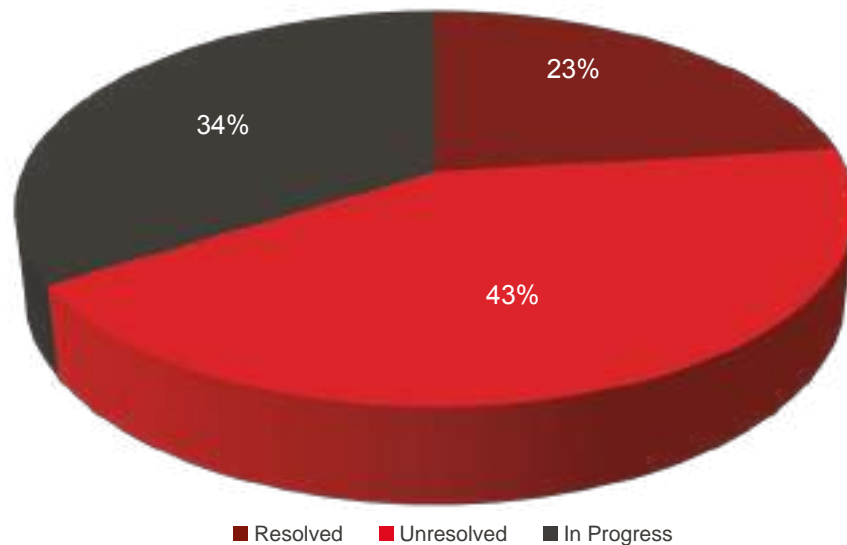
Out of the 11 internal audit projects conducted during the 2018/19 financial year, ten (10) reports were issued, which encompassed forty-eight (48) findings.

Overall Control Assessment

Based on the results of the internal audit review for the 2018/2019 financial year, the internal audit unit concluded that the controls put in place by the Agency were adequate, albeit ineffective. Significant areas of concern that might affect the Agency's operations were identified and a recommendation was made that management improves the effectiveness of the internal controls.

Follow Up Audit

Sixty-seven (67) findings were reported in the previous audits, fifteen (15) of which, have been resolved and twenty-three (23) are in progress whereas twenty-nine (29) findings were not yet resolved. The implementation rate of resolution of prior year findings is 22%, whilst the in-progress rate is 34%. Management has commenced with the action of resolving reported findings and 43% of the findings were not yet resolved at the end of the financial year.



During the 2018/19 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.

4. Audit & Risk Committee

The Audit and 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, and for exercising an oversight and monitoring role. The Committee considered the quarterly performance report, financial statements and management accounts, on a quarterly basis.

5. 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. The Audit and Risk Committee received quarterly compliance reports apprising the Committee of the level of compliance of the Agency.

6. Fraud and Corruption

Roads Agency Limpopo has established a 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.

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 Board of Directors approved the agency's Fraud Prevention and Anti-Corruption Policy on 14th May 2016, which policy was implemented throughout the financial year being reported on.

7. Minimising Conflict of Interest

The Board of Directors approved a Conflict of Interest Policy in its sitting held on 11th November 2015, in terms of which all employees of Roads Agency Limpopo are required to complete the declaration of interest forms, in which financial interests have to be disclosed. All declarations made by employees have to be submitted to the Chief Executive Officer for approval.

8. Code of Conduct

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

9. Health, Safety and Environmental Issues

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

The major challenge during execution of projects is the landownership 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.

10. Company Secretary

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

11. 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.

12. Audit & Risk Committee Report

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2020. The committee has adopted appropriate formal terms of reference as 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;
- evaluating whether management demonstrates and stimulates the necessary respect for the internal control structures;
- overseeing and managing the total internal audit function to ensure that:
 - the internal audit performance goals are achieved;
 - risks are identified;
 - specific issues requiring attention are highlighted;

Audit Committee Members:

The Audit Committee consisted of the independent members listed hereunder. The Committee convened 9 meetings during the 2019/20 financial year. The Audit Charter requires that the committee meets at least 2 times per annum.

Name of Member	Number of meetings attended
Ms. M.G. Mokoka <i>Independent Chairperson: Audit & Risk Committee</i>	6
Mr. Z. Samsam <i>Independent Audit & Risk Committee Member</i>	6
Mr. T. Boltman <i>Independent Audit & Risk Committee Member</i>	5

Audit & Risk Committee Responsibility

The Audit and Risk Committee reports to have adopted appropriate formal terms of reference in our charter in conformity with the provisions of Principle 8, Recommended Practice 51-59 of the King IV Report on 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 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.



Ms. M.G. Mokoka CA(SA)

Chairperson of the Audit and Risk Committee

Roads Agency Limpopo



D3820 - Mopani District: Blinkwater to Rotterdam



Part D
Human Resources Report



1. Overview

Besides reaffirming RAL's commitment to continuously build its Human Resource (HR) capacity, the report also outlines various measures taken by management to strengthen the overall Human Resource Management (HRM) climate of the Agency. Throughout the financial year, employees remained the backbone of RAL's operations. RAL's ability to discharge its mandate effectively depended upon the combined skills, experiences, competences and the total commitment of its workforce.

HR Objectives

The Agency's HRM activities were premised on two main objectives, namely:

- To review the organisational structure,
- To ensure employee development.

Strategic Focus

In pursuit of these objectives, management continued to foster a continuous improvement culture, in which its employees were purposely engaged, continuously trained and systematically motivated. The primary focus remained to build a capable and result-driven workforce that possesses a better understanding of latest trends in the ever-changing global road development and management landscape. In this regard, management continuously fostered a culture of high performance, teamwork and collaboration among its employees. Throughout the financial year, management ensured that all critical skills needed to drive RAL's strategy are attracted, strengthened and retained.

Staff Size

As at 31 March 2020, RAL had a total staff compliment of 89 employees. Of these 6 occupied top management positions while 8 held senior management positions. The rest of the staff included inter-alia, 22 qualified professionals, 22 skilled personnel whilst 24 and 7 fell into semi-skilled and unskilled categories respectively. During the financial year, the most understood threat to RAL's HR capacity was the high vacancy rate. Management remained concerned that earlier plans to fill vacant posts in critical

areas such as Finance, Engineering, Internal Audit and Risk Management. Internal Audit and Risk Management (RM) were not implemented due to non-approval of recruitment plan by Provincial Treasury. However, expectations are for those vacant posts to be filled immediately after recruitment plan is approved.

Reward Structure

At RAL, employees are rewarded according to their performance and level of contribution to RAL's strategic objectives. RAL's total reward strategy promotes a flexible, balanced, integrated and cost-effective reward structure, covering fixed pay and recognition, benefits, work-life balance, career development and opportunities. During the same period RAL's wage bill amounted to R 80 149 000 million.

Fostering Employee Engagement

RAL's HRM philosophy is built on the values of labour peace, employee engagement and total workplace democratisation. Rules of engagement are driven by a strong desire to engage employees in an atmosphere of sincerity, openness, transparency and honesty. The belief is that engaged, empowered and involved employees are the hallmark of RAL's long term success and performance. To this end, management continued to pursue an open, honesty and transparent communication with its employees. Although in general terms, RAL's overall organisational climate continued to improve, it is important to highlight that the relationship between management and labour unions was not as sound as it should.

As part of the future plan to democratise RAL's workplace, management has since approved a proposal to establish the inaugural RAL Bargaining Forum. The Terms of Reference (TOR) that will give meaningful effect to this proposal have also been approved. The development of the TOR was the first critical step towards promoting an atmosphere of workplace stability and labour peace. In the coming financial year, the idea is to step-up efforts to build a climate of trust, workplace harmony and mutual partnership with representatives of labour unions.

Workplace Diversity

RAL continued to demonstrate its unequivocal commitment to the ideals of workplace diversity and equity. Management views workplace diversity as an asset that instils a strong sense of social justice, equality and fairness among its employees. Guided by the progressive employment equity policy, RAL's employment equity efforts during the financial year aimed to build a sustainable workforce that reflects the demographics of the economically active population in South Africa. RAL's relentless commitment to uphold ethos of equality, social justice, racial diversity, and gender parity at the workplace remains a key differentiator and source of pride. In this vein, RAL ensured that its approved Employee Equity Plan was strictly adhered to at all times.

Talent Development

The considered view as management is that a well-funded and properly communicated employee development plan provides a meaningful pathway for RAL employees to advance their careers. The focus of the programme was to equip employees with necessary skills and capabilities as well as to provide all levels of management with appropriate tools to assess and manage performance. Part of the efforts to achieve employee development goals remained to encourage employees to take advantage of RAL's employee development programme. Central to these efforts included the strategic review of RAL's Human Resource Annual Plan and measured implementation of the Agency's HR Training Plan. The aim of this review was to align RAL's HR strategy with its overall business strategy. As the result of this review, each employee's skill needs were identified and subsequently ranked in terms of their significance and relevance to RAL's core business. RAL's training investments and programmes ensured that employees develop requisite skills needed to perform their duties, advance their careers and keep abreast of continually changing business operations.

Talent Retention

In today's turbulent labour market system, characterised by low barriers of labour mobility, organisations continue to be vulnerable to the risks of high staff turnover. It is within this context that RAL undertook to strengthen its talent retention environment. One of the initiatives adopted by management during the course of the financial

year was to provide on a consistent basis a stimulating and rewarding work climate that meets employee expectations in terms of career development and growth, fair employment practices, wellness and lifestyle support, and appropriate recognition and reward processes.

Employee Wellness Programme

The promotion of healthy lifestyles among RAL's employees was one of the top items on RAL management's 2019/20 business agenda. Management regrets that despite concerted efforts to give impetus to RAL's emerging employee wellness programme (EWP), little progress was made in this regard due to delays in the procurement of a suitable service provider. Management is however optimistic that efforts to build a functional EWP will resume in the first quarter of the 2020/21 financial year once the appointment of a service provider is finalised.

Occupational Health Programme

RAL fully appreciates the strategic necessity of upholding the highest standards of occupational health and safety (OHS) to its business strategy. At RAL, the safety of employees is a primary and topmost priority. As part of our plans to strengthen the Agency's OHS environment, RAL rolled out a five-day OHS training course. The training was attended by RAL's OHS champions such as Safety, Health and Environmental representatives, First Aiders, Fire Marshall and key members of the OHS Committee. The participants were drawn from different sections and workstations. The training was part of efforts by RAL to comply with requirements of the OHS Act No 65 of 1993. One of the areas of focus during the financial year remained the renovation of the RAL's offices as part of efforts to strengthen the Agency's OHS environment. However, the intended plan to renovate RAL's building in order to make it more OHS compliant could not be carried out as planned due time constraints. Management, however, expects the maintenance activity to be done in the first quarter of 2020/21 financial year.

Human Resource oversight statistics

Personnel Cost by Programme/ Activity/ Objective

Programme/ Activity / Objective	Personnel Expenditure (R'000)	Personnel exp. as a % of Total exp. (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
Engineering	25 569	32	28	913
Corporate Services	20 674	26	27	766
Finance	12 903	16	13	993
Information Technology	4 397	05	05	1 038
CEO's Office	16 606	21	16	1 038
Total	80 149	100	89	901

Personnel cost by salary Band

Level	Personnel Expenditure (R'000)	% of Personnel exp. to Total Personnel Cost (R'000)	No. of Eemployees	Average Personnel Cost per Employee (R'000)
Top Management	13 371	17	6	2 229
Senior Management	11 312	14	8	1 414
Professional Qualified	27 630	34	22	1 256
Skilled	18 244	23	22	829
Semi-skilled	8 360	10	24	348
Unskilled	1 232	2	7	176
Total	80 149	100	89	901

Performance Bonus

Programme/ Activity/ Objective	Performance Rewards	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel cost (R'000)
Top Management	919	13 371	7
Senior Management	962	11 312	9
Professional Qualified	2 319	27 630	8
Skilled	1 506	18 244	8
Semi-skilled	610	8 360	7
Unskilled	104	1 232	8
Total	6 420	80 149	8

Training Costs

Programme/ Activity / Objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of Employees Trained	Average Training Cost per Employee
Training and Courses	80 149	1 287	1%	93	1 383

Programme/ Activity/ Objective	2018/2019 No. of Employees	2019/2020 Approved Posts	2019/2020 No. of Employees	2019/2020 Vacancies	% of Vacancies
Employment and Vacancies	88	138	86	52	37

Programme/ Activity/ Objective	2018/2019 No. of Employees	2019/2020 Approved Posts	2019/2020 No. of Employees	2019 /2020 Vacancies	% of Vacancies
Top Management	6	7	6	1	14
Senior Management	8	29	7	20	68
Professional Qualified	19	31	22	11	35
Skilled	24	37	22	13	35
Semi-skilled	24	27	22	7	25
Unskilled	7	7	7	0	0
Total	88	138	86	52	37

Salary Band	Employment at Beginning of Period	Appointments	Terminations	2019/12020 Vacancies	Employment at End of the Period
Top Management	6	0	0	1	6
Senior Management	8	0	1	20	7
Professional Qualified	19	3	0	11	22
Skilled	24	0	2	13	22
Semi-skilled	24	0	2	7	22
Unskilled	7	0	0	0	7
Total	88	3	5	52	86

2 employees from semi-skilled has been appointed as managers hence 2 terminations in semi-skilled

Reason	Number	% of Total no. of Staff Leaving
Death	0	0
Resignation	1	33.33
Dismissal	0	0
Retirement	0	0
Ill health	0	0
Expiry of Contract	2	66.67
Other	0	0
Total	3	100

Employment Changes

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	4	2	0	0	1	0	0	1
Senior Management	6	3	0	0		0	0	1
Professional Qualified	11	15	0	0		1	1	1
Skilled	8	6	0	0		0	0	0
Semi-skilled	7	14	0	0		0	0	0
Unskilled	2	2	0	0		0	0	0
Total	38	42	0	1	1	1	1	3

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	0	0	0	0	0	0
Senior Management	1	2	0	0		0	0	0
Professional Qualified	10	8	0	0		0	1	0
Skilled	14	14	0	0		0	0	1
Semi-skilled	13	13	2	2		0	0	0
Unskilled	5	4	0	0		0	0	0
Total	44	42	2	2	0	0	0	1

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

* The Agency has met its employment equity targets in terms of representation of women in top and senior management. The other key critical positions are at evaluation stage by the Human Resources Unit. The target for people with disability will be addressed in the 2019/20 employment equity targets.



Part E
Stakeholder Engagement
and SMME Empowerment



MEC site visit to road D887 connecting to R521 (Alldays to Vivo) in the Capricorn District of Limpopo Province.

1. Overview

Part E draws attention to some of the activities that dominated the Agency's stakeholder engagement efforts during the financial year under review. The stakeholder engagement programme primarily aims to rally key stakeholders behind a shared provincial road infrastructure development vision and understanding. As RAL, having learnt that achieving high stakeholder satisfaction levels in an operating context characterised by high incidences of community protests, limited funding, huge demand for upgraded roads and a huge service delivery backlog is a stressful and daunting task. During the year under review, the Agency reaffirmed its commitment to pro actively engage employees especially on matters of mutual concern to them. The purpose of these engagements was to cement workplace peace, unity of purpose and organisational cohesion. In line with RAL's employee engagement tradition, concerted efforts were made to keep staff across the Agency abreast of new developments of concern to their welfare. A total of twenty (20) staff events were organised during the financial year, including RAL's Wellness Day, woman's month and workers' day commemorations etc. Although the Agency made progress in fostering good employee relations, various challenges were encountered on this front. One of the commonly identified challenges was the failure by the Agency to pro actively disseminate information on issues of concern to its employees. As a result of ineffective internal communication, the Agency lost an opportunity to foster labour peace and inter-departmental integration. In the future, more attention will be directed towards building RAL's internal communication capacity.

Stakeholder Engagement

RAL's operations are pre-dominantly stakeholder driven. In fact, stakeholder engagement remains an integral element of RAL's value creation process. The Agency's ability to pro actively communicate to the public and engage purposefully with stakeholders is one of the cardinal pillars of its business strategy. As a catalytic driver of socio-economic change and a key facilitator of people-to-people connectivity in the province, RAL relies on a complex network of stakeholders to create, capture and deliver optimal public value. In accordance with Part 5, as read with Principle 16 of the King IV Report, RAL advocates for an inclusive stakeholder approach. Accordingly, this approach puts the responsibility on RAL to balance the legitimate needs, interests, and expectations of RAL's key stakeholders. RAL believes that the task of balancing

the diverse interests of key stakeholders is a dynamic and ongoing process. During the financial year, RAL reviewed its stakeholder engagement compact in order to make it more impactful, proactive and responsive. The stakeholder engagement compact is founded of the notion of proactive engagement, inclusivity and on-going dialogue with key stakeholders especially on areas of mutual interests and concern. RAL believes that successful stakeholder engagement requires a commitment to honestly engage with stakeholders, listen to them, build relationships with them and then respond to their concerns in a mutually beneficial way. RAL subscribes to the view that stakeholder engagement is not an end in itself but a means to help build better partnerships with communities in which its serves and operate, ultimately resulting in improved business planning and performance. RAL's stakeholders consist of individuals and groups or institutions which affect or influence – or are affected by or impacted upon by RAL's operations, services, products and performance. During the reporting period, RAL primarily focused on four main stakeholders, namely, local communities, municipalities and strategic partners, traditional, authentic.

Community Engagement

As end users of provincial roads, RAL constantly took the needs and concerns of communities into consideration during all the phases of the road construction and maintenance value chain. RAL has correctly observed that no road construction or maintenance activity can succeed if its planning and implementation effort is not driven or influenced by community priorities and interests. The long standing view is that communities should always be at the centre of RAL's road planning, construction and maintenance activity. Guided by this thinking, RAL undertook several initiatives to pro actively engage various communities in order to address their legitimate concerns. During the financial year, 30 community engagement sessions were conducted. During these community outreach programmes, approximately 5 000 community members participated.

Whilst progress was made in addressing issues of concern to respective communities, RAL noted that its community engagement journey was not without its challenges. Some of the common concerns raised by various community groups during these engagement sessions include, among other things, the lack of proactive engagement

especially on issues of concern to them, the inability by the Agency to prioritise their road upgrade needs and their lack of trust in RAL's ability to make good its past service delivery commitments. Whilst most of the issues raised by communities during engagement sessions were genuine and understandable given the proven link between upgraded or tarred road surface and increased economic activity, RAL however regrets that due to budgetary constraints, the Agency could not cope with the steady increase in demand for upgraded roads. The fact that the province has a huge backlog for paved roads arising from past commitments was identified as the major worsening factor.

During the financial year, RAL witnessed a steady increase in incidences of community protests. To be precise, the Agency recorded a total of five major protests. The trust deficit between RAL and communities was identified as the major driver that fuelled these community protests. During the year under review, RAL witnessed a sharp increase in community protests. This steady rise in protest activity is an indication that RAL's community engagement efforts need to be reformed in order to improve its future impact and responsiveness. Key areas that need further improvements include among others; the need to strengthen RAL's community engagement capacity as well as stepping up community outreach campaigns. RAL frequently uses community outreach as campaigns dialogue platforms. In other words, these platforms present opportunities for the Agency to provide constant feedback on pertinent issues of community interest.

Municipality Engagement

As coalfaces of service delivery, municipalities play a major community-interface role especially in the road demand planning and forecasting phase of the road construction value chain. RAL relies on inputs generated by municipalities through their community-based Integrated Development Plan (IDP) formulation processes to inform its road prioritisation plans. Over the years, the relationship between RAL and the local municipality sector was not as sound as it should. This was attributed to failure to pro actively involve and engage municipalities in RAL's previous road prioritisation sessions. The resultant effect of this lack of sufficient collaboration with local municipalities created a disconnect between RAL and local communities. RAL

also observed that this disconnect created a fertile ground for unmitigated community protests and disgruntlements. During the financial year under review, RAL broadened its stakeholder engagement effort by incorporating the municipality sector into its existing engagement framework.

One of the major highlights of RALs' municipality engagement programme was the highly attended road re-prioritisation workshop which was held on 20 June 2019. The high-level meeting was attended by the executive mayors of all the five district municipalities of Limpopo Province. At the heart of the municipality engagement programme was the strong desire to foster the ideals of fairness and equity in the allocation of available road development resources among Limpopo's five districts. RAL's road prioritisation matrix is designed in such a way that all the five districts receive a fair share of construction priorities. This meeting presented the perfect opportunity for district mayors to influence and shape RAL's road re-prioritisation programme. This meeting also rallied the five district mayors behind a shared approach to road demand forecasting and planning. Going forward, RAL intends to consolidate the gains made on this front by ensuring that the municipal engagement programme becomes a permanent feature on RAL's annual stakeholder engagement calendar.

As RAL, the immediate intention is to see district mayors playing a front line role in rallying their constituencies behind a shared road development vision and programme for the province. RAL and the entire municipality sector want to foster a common approach in the way of plan, design, construct, maintain and manage of provincial road network. The shared vision of delivering an accessible, safe and reliable network can only be a reality if district mayors are firmly involved in RAL's road planning and demand forecasting effort. A synchronised approach to road development and network management remain the only safest pathway to a shared road development trajectory in Limpopo.

Strategic Partnerships

Effective pursuit of strategic partnerships with key role players in the road development sector remained a permanent and critical characteristic of RAL's operations. Given the persistent challenge of budgetary constraints facing the Agency, the idea of forming strategic partnerships was one of the avenues RAL employed to strengthen its funding environment. By establishing rewarding partnerships, RAL successfully unlocked value-added synergies and co-funding opportunities from the private sector. It is important to note that during the reporting period, RAL continued to earn the trust and confidence of its strategic partners. This was evidenced by the level of funding commitments that were made by our key partners over the years. Private companies that contributed valuable funding support to RAL during the financial year include companies such as Marula Mine, Exxaro Mine, Anglo Platinum Mine, ZZ2 and Venetia Mine. The co-funding opportunities created through these strategic partnerships had a positive bearing on RAL's financial and operating leverage.

SMME Empowerment Programme

RAL acknowledges the integral role played by the Small, Medium and Micro Enterprises (SMMEs) in its efforts to address the key priorities of the National Development Plan (NDP) namely poverty alleviation, job creation and inclusive economic growth. At RAL, SMMEs are regarded as catalytic drivers for economic transformation and job creation. SMMEs are some of the avenues RAL continued to use during the financial year to achieve the NDP vision of creating a better South Africa for all by the year 2030. We are fully aware that the NDP anticipates SMMEs to create nine million out of the eleven million new jobs to be created by 2030.

The NDP effectively places an obligation on RAL as an Agency of the Provincial Government to intensify efforts to build and leverage the SMME sector's job absorption capability. RAL's view is that the promotion of SMMEs is central to the Limpopo Provincial Government's strategy of addressing the imbalances of the past and to create employment and income generation. In this light, RAL runs an SMME Empowerment Programme. This programme consists of three core pillars, which are Emerging Contractor Development Programme, Local Labourer Programme and Skill Development Programme. A discussion of the three programmes is summarised below:

Emerging Contractor Development Programme

RAL's Emerging Contractor Development Programme aims to improve the economic participation parity of construction companies owned by Historically Disadvantaged Individuals (HDIs). To be precise, the programme primarily targets companies owned by women, youth and people with disabilities. As a firm believer in its Emerging Contractor Development Programme, the Agency overachieved on its targets spending 33% of its projects budget on SMME empowerment in the financial year under review, benefiting 500 emerging contractors in the process. Overall, RAL spent a total of R122 million on SMME procurement. RAL also initiated a process of restructuring its work packages to create more project opportunities for smaller contractors. The Agency is creating a sliding scale model which will assist small enterprises to develop and progress from sub-contracting to tender for more complex projects.

Local Labourer Programme

Global trends demonstrate that road infrastructure projects can catalyse the meaningful participation of HDIs in the local job market. Due to the construction industry's labour intensity nature, the NDP expects RAL to prioritise capital projects that enhances the provincial economy's labour absorption capacity. In his 2020 State of the Nation Address, His Excellency President Cyril Ramaphosa reaffirmed the sixth administration's commitment to direct relentless focus towards infrastructural projects with the potential to usher the economy on the path of economic recovery and job creation. This 2019/20 Annual Report is being presented at a time when the local economy is failing to create new jobs let alone sustaining existing ones. RAL shares the view that collective effort is vital to curb the scourge of youth unemployment (which currently sits at 58.2 per cent according to 2019 third quarter Statistics South Africa (StatsSA) data). The Agency's Local Labourer Programme is designed in such a way that for upgrading projects main contractors must ensure that 10 per cent of their labourers consist of local women, youth and people with disabilities, the percentage for maintenance projects is 5% local labourers. During the review period, a total of R36 million was invested in RAL's Local Labourer Programme, and in the process creating a total of 2 000 work opportunities to HDIs. Compared to the 2018/19 financial year, the 2019/20 period witnessed a 10 percent decrease in the budget spent on the Local Labourer Programme. The reduction was as a result of budgetary constraints.

Year	Actual expenditure on Labour R'm	Expenditure on SMMEs R'm	Further Education and Training	Labour Training
2015/16	29	109	437	61
2016/17	61	155	1747	348
2017/18	35	142	553	731
2018/19	38	121	523	716
2019/20	36	122	503	293

Training Programme (LTP) is a skill transfer programme that equips local labourers linked to RAL's projects with non-unit standard aligned skill programmes. During the period under review, a total of 293 labourers were trained in various construction related courses. Despite the challenge of limited funding, RAL remains committed in contributing to the NDP developmental priorities, particularly those related to fostering inclusive economic growth and job creation.

Notwithstanding a difficult operational climate, during the review period, RAL created a total of 4 016 new job opportunities in various communities where its projects were implemented. As part of its broader efforts to empower HDIs, women, youth and people with disabilities were the biggest beneficiaries of this initiative.

Skill Development Programme

Skill Development Programme is the cornerstone of RAL's community empowerment programme. The programme was informed by a study by the Southern Africa Labour and Development Research Unit (SALDRU). The study revealed that young people with no Senior Certificate constitute the most vulnerable youth grouping in South Africa. RAL's skill development programme appreciates the catalytic role played by skills development in enhancing the chances of young people of getting employment. The programme, which is implemented in conjunction with Construction Education and Training Authority (CETA) and other accredited Skill Education and Training Authorities, comprises of two main skill areas, namely (1) Further Education and Training (FET) and (2) the Labourer Training Programme (LTP).

The FET programme which targets post-school youth, women and people with disabilities aims to equip beneficiaries with unit standard aligned construction related qualifications. During the period under review, a total of 503 youth, women and people with disabilities received FET training in various construction courses. In comparison to the 2018/19 figure, a slight decrease of 6 percent was recorded. The Labourer



Part F

Financial Information



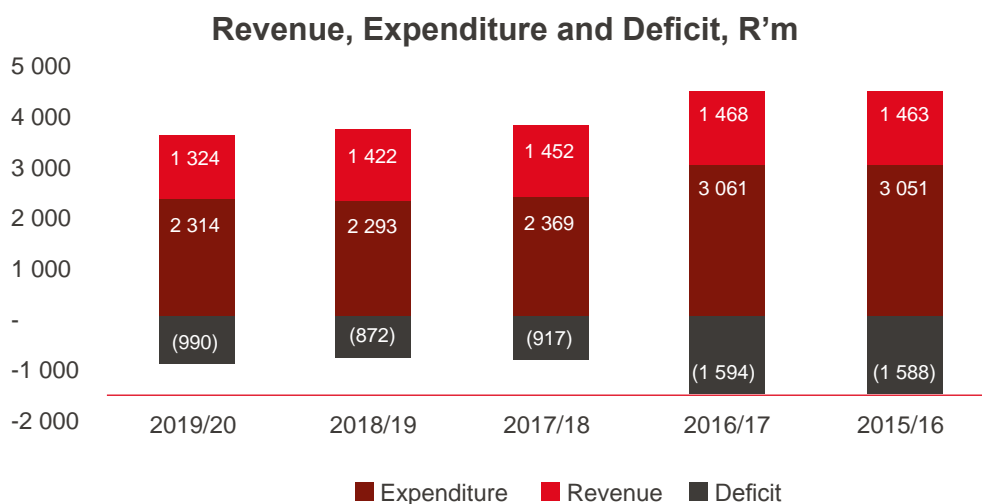
RAL continues to connect communities in the Limpopo Province, who were previously excluded from a number of economic activities.

Financial Performance

Despite the economically constrained environment, due to provincial budget constraints and the historical overcommitment of the entity, RAL has spent within the allocated budget. The allocated government grant was reduced by 1% from R1,422 million in 2019. Although the net deficit for the year increased by 13% to R990 million, cost control and other prudent expenditure management helped to curb the increase in the deficit. RAL has also been able to reduce the infrastructure commitments (which led to over commitments) to R1, 061 billion (2018/19: R 2, 339 billion). The reduction in excess commitments has resulted in a significant improvement in liquidity.

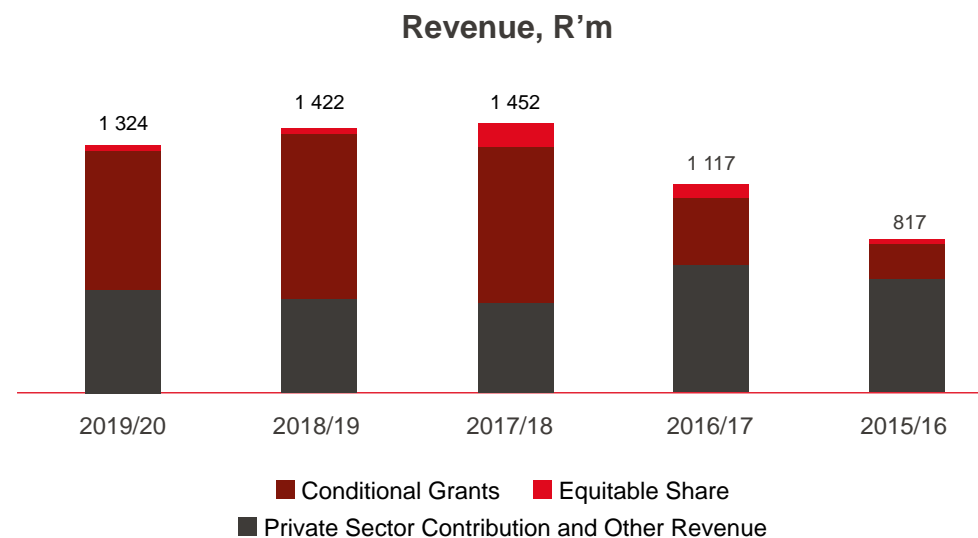
Profitability

The RAL recorded a net deficit for the 2019/20 financial year of R991 million (2018/19: R872 million). This loss was mainly due to the depreciation, impairment loss and de recognition of infrastructure assets which amounted to R2 billion (2018/19: R2 billion), R122 million (2018/19: R79 million), and R30 million (2018/19: R43 million), respectively.



Revenue

The total revenue for the year was R1.324 billion (2018/19: R1.422 billion), and it is mainly from government grant allocation. The government grants are almost split equally between conditional grants and equitable shares. Only equitable share can be used for the road upgrade while conditional grants is meant solely for the road repairs, maintenance and rehabilitation. Government grants account for more than 90% of the total revenues, the balance of revenue is mainly from contributions by the private sector. RAL managed to generate R3.5 million (2018/19: R4.3 million) mainly from interest on a call account, rental of billboards, and application for road access. Also, Lepelle-Nkumpi Municipality contributed toward the completion of three bridges worth R25 million on the RAL's road network in 2019/20, while the contributions by the private sector partners amounted to R1.8 million (2018/19: R28.5 million).



Expenditure

Employee related costs. The personnel costs declined by 3% to R80 million (2018/19: R82 million). The reason for the reduction in employee-related expenses is the resignation of employees whose positions remain unfilled. Recently, the Provincial Treasury has been strict in approving departments and public entities to fill vacancies, because of the high overall employee cost of the province.

Depreciation, amortisation and impairments. The high depreciation of infrastructure assets is attributable to the huge infrastructure asset base, which was R19 billion (2018/19: R21 billion) at year-end. The ageing of the road infrastructure network and insufficient road maintenance due to low road maintenance grants have led to a significant increase in road impairment losses from R106 million in 2018/19 to R151 million in 2019/20.

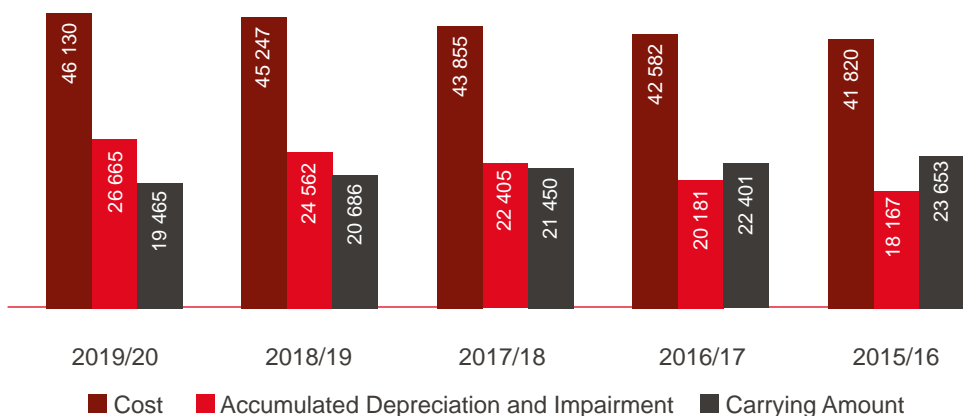
Repair and maintenance. This relates mainly to the costs of repair and maintenance of roads that could not be capitalised. In addition to the repair and maintenance that were expensed, RAL spent a significant amount on the rehabilitation of roads which have been capitalised into the road infrastructure assets. In addition, LDPWRI performs most of the routine maintenance work on the RAL's road network.

General Expense. General expenditure dropped from R55 million in 2018/19 to R46 million in 2019/20, a decline of 16%. The main reasons for the decrease were the reduction in marketing and advertising costs (by 44% to R4.9 million) attributable to the implementation of costs containment measures and the reduction in court settlement fees (from R12.9 million to R1.2 million) caused by reduction in the number of major claims against the Agency. These decreases were offset by the increase in travelling costs owing to the increase in project activities, the increase in legal expenses caused by the rise in the number of legal claims as well as the increase in professional fees as RAL endeavour to plug the skills shortage caused by high vacancy rate.

Financial Position

The RAL's total assets declined by 6% to R19.6 billion (2018/19: R20.9 billion), and the total liabilities fell by 50% to R253 million (2018/19: R503 million).

Property, Plant and Equipment, R'm



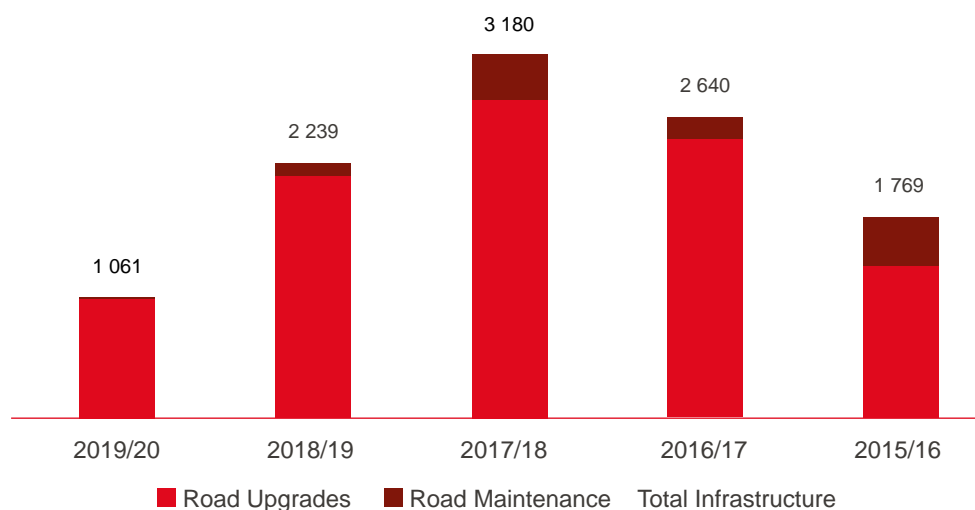
Assets. The decline in total assets of R1.2 billion is mainly due to high depreciation on infrastructure assets of R2 billion (2018/19: R2 billion) and increase in an impairment loss of 43%, from R106 million in 2018/19 to R152 million in 2019/20. This decline was offset by R936 million additional road infrastructure constructed in the current year. In the five-year period, 2016/16 to 2019/20, the net carrying amount of RAL's infrastructure assets declined by 18% from R23.6 billion in 2015/16 to R19.5 billion in 2019/20 which translate into a cumulative annual decline of 5%. During this period, infrastructure assets totalled R4.3 billion, and total depreciation and amortisation of these assets was R8.5 billion, resulting in a net decline of R4.2 billion in assets.

Liabilities. The reduction in road upgrade project commitments helped alleviate RAL's liquidity position and reduced the Agency's liabilities by R251 million, compared with R503 million in the 2018/19 financial year. The liabilities are made up mainly of payables on infrastructure projects of R89 million (2018/19: R313 million), payables to private sector partnerships of R92 million (2018/19: R79 million), and retentions of R60 million (2018/19: R104). During 2019/20, RAL was able to pay most of its invoices within 30 days in accordance with the Agency's policy, which is a major improvement as compared to the previous years.

Solvency. RAL's solvency ratio, measured as total debt/net assets, is comfortably low at 1% (2018/19: 2%). Since RAL is a Schedule 3C public entity that cannot borrow, and RAL has a huge infrastructure asset base, its solvency ratio is very low.

Commitments. RAL's commitments on infrastructure ballooned in the previous years, reaching R3.2 billion in 2017/18, as compared to the average budget for the infrastructure of R1.2 billion (from 2017/18 to 2019/20). Community demands for the road upgrades caused this increase while a great deal of the Agency's budget allocation is on road maintenance. RAL has worked tirelessly to reduce the overcommitment, and the results of the entity's efforts are starting to bear the fruits. The RAL's overcommitment is expected to be eliminated by the end of the 2021/22 financial year.

Infrastructure Commitments, R'm



Cash Flow

Summary of the cash flows for the five-year period ended 31 March 2020

<i>In Thousands of Rands</i>	2019/20	2018/19	2017/18	2016/17	2015/16
Net Cash Flows from Operating Activities	1 144 453	1 202 811	1 168 429	669 718	591 529
Net Cash Flows from Investing Activities	(1 166 725)	(1 149 664)	(1 052 320)	(814 397)	(563 927)
Net Cash Flows from Financing Activities	(221)	(348)	(313)	(130)	-
Net Increase/(Decrease) in Cash and Cash Equivalents	(22 493)	52 799	115 796	(144 809)	27 602
Cash and Cash Equivalents at the Beginning of the Year	170 073	117 274	1 478	146 287	118 685
Cash and Cash Equivalents at the End of the Year	147 580	170 073	117 274	1 478	146 287

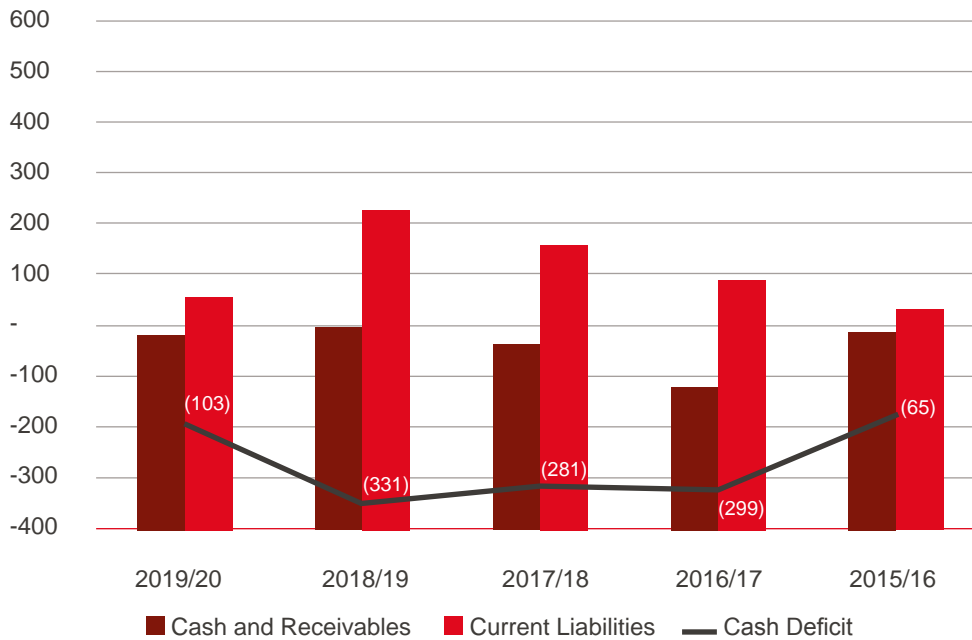
Cash flow from operating activities. Cash flow from operating activities declined by 5% to R1.14 billion (2018/19: R1.2 billion). The decline was mainly caused by the withholding of R241 million by the National Department of Transport due to RAL's failure to meet some of the conditions of the grants in the past few years. The decrease in cash flow from operating activities was offset by the reduction in payments for goods and services, as well as repair and maintenance costs.

Cash flow from investing activities. The total spending on assets decreased by R510 million, from R1.4 billion in 2018/19 to R882 million in 2019/20. However, the cash outflow from the investing activities increased marginally by 1% when compared with the previous year. The reason for the large outflow of cash is that part of the capital investment expenditure in 2018/19 was only paid in that year.

Cash and cash equivalents. The cash at bank decrease by R22 million to R148 million (2018/19: R170 million). RAL received the last grant on the last day of the financial year. As a result, creditors who invoiced RAL in March were paid after the end of the year.

The cash available to pay current liabilities, which is made up of cash and cash equivalent and accounts receivables, has increased from R331m deficit to R103m deficit. The decline in the cash deficit was caused by reduction in the commitments for the road upgrades. In the previous three year, the cash deficit averaged R300m.

Revenue, Expenditure and Deficit, R'm



In the coming year, RAL will continue to stick to the allocated budget and use the allocated grants according to their conditions. RAL will intensify its drive to increase contribution by the private sector towards roads constructions. The focus in 2021/22 will be to reduce the amount of overcommitments and improve the liquidity position of the entity. We will continue to drive the effort to improve the control environment to reduce the level of irregular expenditure within the organisation and to build the capacity within the finance department to improve the audit outcomes.

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.

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

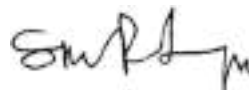
The Annual Financial Statements of Roads Agency Limpopo (SOC) Ltd which appear on pages 80 to 85 were approved by the Board of Directors and are signed on their behalf by:



Mr. Gabriel. Maluleke CA (SA)
Chief Executive Officer



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



Mr. Matome. Ralebipi
Chairperson: Board of Directors



Mphahlele Dam
Nature Reserve

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Roads Agency Limpopo set out on pages 3 to 40, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to 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 2020, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999)(PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).
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 public entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as 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 codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matters

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

Restatement of Corresponding Figures

7. As disclosed in note 31 to the financial statements, the corresponding figures for 31 March 2019 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2020

Significant Uncertainties

8. With reference to note 28 to the financial statements, the entity is the defendant in a number of lawsuits. The entity is opposing the claims, as it believes that this 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.

Irregular Expenditure

9. As disclosed in note 35 to the financial statements, the entity incurred irregular expenditure of R901 997 000, as it did not follow a proper SCM process and spent on projects that were not budgeted for.
10. As disclosed in note 35 to the financial statements, irregular expenditure of R3 127 251 000 that was incurred in the previous years was still under investigation.

Impairments - Infrastructure Assets

11. As disclosed in note 20 to the financial statements, material loss of R 121 688 000 was incurred as a result of impairment of infrastructure assets.

Responsibilities of the Accounting Authority for the Financial Statements

12. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), and the requirements of the Public Finance Management Act of South Africa, (PFMA) and the Companies Act of South Africa, 2008 (Companies Act) and for such internal control as the accounting authority determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

13. In preparing the financial statements, the accounting authority is responsible for assessing the entity'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 appropriate governance structure 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

14. 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.

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Introduction and Scope

16. 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 on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

17. My procedures address the usefulness and reliability of 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 do not examine whether the actions taken by the entity enabled service delivery. My procedures also do 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.

18. 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 2020:

Programmes	Pages in the Annual Performance Report
Programme 2 - Roads Infrastructure	15-20

19. 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.

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

Programme 2 - Roads infrastructure Various indicators

Various Indicators

21. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of 3 of the 21 indicators relating to this programme. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report of the indicators listed below:

Indicator Description	Reported Achievement
Amount paid to SMMEs Contractors and Sub Constructors	R134 097 909
Number of local workers trained	531
Number of SMMEs contracted	460

Indicator: Number of Full Time Equivalent (FTE) Jobs Created

22. The achievement of 561 was reported against target 557 in the annual performance report. However, some supporting evidence provided a materially difference from the reported achieved, while in other instances I was unable to obtain sufficient appropriate audit evidence. This was due to the lack of accurate and complete records. I was unable to further confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievement.

Indicator: Number of Women Employed

23. The achievement for target 705 reported in the annual performance report was 711. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 457.

Other Matters

24. I draw attention to the matters below.

Achievement of Planned Targets

25. Refer to the annual performance report on pages 15 to 20 for information on the achievement of planned targets for the year and explanations provided for the under/over achievement of a significant number of targets. This information should be considered in the context of the qualified opinion expressed on the reliability of the reported performance information in paragraph 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. 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 included in the basis for qualified opinion paragraphs.

Report on the Audit Compliance and 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 entity's compliance 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 legislation are as follows:

Annual Financial Statements and Annual Report

29. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA. Material misstatements of non-current assets and disclosure items identified by the auditors in the submitted financial statement were corrected and/or 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 R901 997 000 as disclosed in note 35 to the annual financial statements, as required by section 51 (1)(b)(ii) of the PFMA. The irregular expenditure was caused by non-compliance with supply chain regulations in the prior years and spending not in line with table 85
31. Expenditure was incurred without an approved budget, in contravention of section 53(4) of the PFMA.
32. Resources of the entity were not utilised economically, as required by section 57(b) of the PFMA.

Procurement and Contract Management

33. Some of the contracts were extended or modified without the approval of a properly delegated official as required by section 44 of the PFMA and treasury regulations 8.1 and 8.2.
34. Payments were made to service providers before obtaining the construction work permit as required by Paragraph 3.1 of Construction regulations 2014

Other Information

35. 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 of South Africa 2008 (Act No. 71 of 2008) (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.
36. 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.
37. 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.

38. I did not receive the other information prior to the date of this auditor's report. When I do 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

39. 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.

40. Leadership did not adequately review the financial statements and annual performance report to prevent the risk of material misstatements.

41. The entity developed a plan to address internal and external audit findings, but the appropriate level of management did not timeously monitor adherence to the plan.

42. The entity did not have a proper record management system to maintain information that supported the reported performance in the annual performance report.

43. The entity did not adequately review and monitor compliance with applicable procurement legislation and the PFMA.

44. Risks were not mitigated sufficiently to address challenges of the entity as evidenced by matters noted during the audit process.

Material Irregularities

45. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

Material Irregularities Identified during the Audit

Payment to Contractor for no work done

46. A payment of R1 320 820,21 was made for work not done for the upgrade of road 02536 from Settlers to Witlaagte (Mpumalanga) in the Waterberg district of Limpopo Province as the permit to perform construction works was only applied for by Roads Agency Limpopo (17 February 2017) after the contractor took site (23 January 2017) contrary to Regulation 3(1) of the Construction Regulations of 2014. The contractor claimed payment for the period of permit delays. The non-compliance is likely to result in a material financial loss, if it is not recovered.

47. The accounting authority was notified of the material irregularity on 27 August 2020 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting authority instituted a preliminary investigation into the matter and concluded that a formal investigation needs to be performed to identify the cause of the transgression and to identify individuals that played a role in the material irregularity. The investigation is planned to commence before the 30 November 2020 with the planned completion date of 31 March 2021. I will follow up on the investigation and the implementation of the planned actions during my next audit.

Other Reports

48. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, 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.
49. 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.
50. The entity is currently investigating matters pertaining to irregular expenditure amounting to R3 127 251 000. The outcome of the investigation was not yet available at the time of the report.

Auditor - General

Polokwane

30 September 2020



**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 programmes and on the 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 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 officer 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 relating to events or conditions that may cast significant doubt on the ability of the Roads Agency Limpopo 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 my 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 an entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine 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, actions taken to eliminate threats or safeguards applied.



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STATE OF THE PROVINCE ADDRESS 2019/20
LIMPPO A MUCH BETTER PLACE

INTERVIEW WITH POLICE AGENCY LIMPPO DISTRICT EXECUTIVE OFFICER

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 2020.

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.D. Masemola, is the Executive Authority of the Agency. The Roads Agency Limpopo (SOC) Ltd is receive its revenue from the Department of Public Works, Roads and Infrastructure.

2. Going Concern

The audited annual financial statements have been prepared on the basis of 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

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

5. Governance Compliance

5.1. General

The Board of Directors retains full control of the strategic planning and direction of the Agency and acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management, performance monitoring and evaluation, transparency and effective communication both internally and externally. The Board of Directors is a unitary structure currently 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 and the Board Member nominated to represent the Limpopo Department of Public Works, Roads and Infrastructure in terms of section 12(3)(a) and 12(3)(aB), respectively, of the Limpopo Province Roads Agency Proprietary Limited and Provincial Roads Act 7 of 1998, as amended 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 mostly constituted, by two (2) independent non—executive members who are Chartered Accountants, with the third member having been appointed on 1st January 2020. The Committee held seven (7) 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
- **Ms. T.M. Ramabulana** Independent Non-Executive Director
- **Mr. X.R. Mulamula** Ex Officio Director representing the Limpopo Provincial Treasury (Resigned 4 November 2020)
- **Mr. S.W. Sathekge** Ex Officio Director representing the shareholder Department of RAL, Limpopo Department of Public Works, Roads and Infrastructure (Appointed on 11 February 2020 and resigned on 31 May 2020)
- **Mr. M.J. Phukuntsi** Ex Officio Directors representing the Limpopo Provincial Treasury (Appointed on 1 June 2020)
- **Mr. P.L. Makape** Ex Officio Director representing the Limpopo Department of Public Works, Roads and Infrastructure (Appointed on 1 June 2020)
- **Mr. G.M. Maluleke** Ex Officio Director in his capacity as Interim Chief Executive Officer of RAL (Between the period 1st March 2019 to 31 December 2019) and appointed as Chief Executive Officer on 2nd January 2020.

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 skilled, suitably qualified employees at all levels of operations to encourage team spirit and personal commitment.



D3820 - Mopani District: Blinkwater to Rotterdam



Part F
Financial Statements



Statement of Financial Positions as at 31 March 2020

Figures in Rand thousand	Note(s)	2020	2019
Current Assets			
Inventories	5	222	173
Receivables	6	2 250	2 677
Cash and Cash Equivalents	7	147 580	170 073
		150 052	172 923
Non-Current Assets			
Property, Plant and Equipment			
	2	19 464 865	20 685 758
Intangible Assets	3	89	238
Other Receivables	4	2 670	2 790
		19 467 624	20 688 786
Total Assets		19 617 676	20 861 709
Liabilities			
Current Liabilities			
Finance Lease Obligation	9	-	221
Payables from Exchange Transactions	10	250 882	501 168
Payables from non-exchange Transactions	11	1 963	1 994
		252 845	503 383
Total Liabilities		252 845	503 383
Net Assets		19 364 831	20 358 326
Share Capital / Contributed Capital	8	1	1
Accumulated Surplus		19 364 830	20 358 326
Total Net Assets		19 364 831	20 358 327

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2020	2019
Revenue			
Revenue from Exchange Transactions			
Other Income	14	1 185	2 279
Interest Income	15	2 278	2 007
Total Revenue from Exchange Transactions		3 463	4 286
Revenue from Non-exchange Transactions			
Transfer Revenue			
Government Grants and Subsidies	16	1 293 589	1 388 918
Contributions by Other Entities	17	26 789	28 507
Total Revenue from Non-exchange Transactions		1 320 378	1 417 425
Total Revenue	12	1 323 841	1 421 711
Expenditure			
Employee Related Costs	18	(80 149)	(82 347)
Depreciation and Amortisation	19	(2 005 238)	(2 004 835)
Impairment Loss	20	(121 668)	(79 231)
Interest and Penalties	21	(9)	(1 577)
Repairs and Maintenance	13	(30 251)	(42 782)
Provision for Bad Debts	22	(319)	(198)
De recognition of Roads and Bridges	24	(30 140)	(27 221)
General Expenses	23	(46 233)	(55 285)
Total Expenditure		(2 314 007)	(2 293 476)
Deficit for the year		(990 166)	(871 765)

Statement of Changes in Net Assets

Figures in Rand thousand

	Share Capital/ Contributed Capital	Accumulated Surplus	Total Net Assets
Opening Balance as Previously Reported	1	21 249 824	21 249 825
Adjustments			
Prior Year Adjustments	-	(15 445)	(15 445)
Balance at 01 April 2018 as restated*	1	21 234 379	21 234 380
Transfer of Own Revenue	-	(4 288)	(4 288)
Net Income (losses) recognised directly in Net Assets	-	(4 288)	(4 288)
Deficit for the year	-	(871 765)	(871 765)
Total Recognised Uncome and Expenses for the year	-	(876 053)	(876 053)
Total Changes	-	(876 053)	(876 053)
Balance at 01 April 2019	1	20 358 326	20 358 327
Deficit for the year	-	(990 166)	(990 166)
Transfer of Own Revenue (See Note 26 - Related Party Transactions)	-	(3 330)	(3 330)
Total Changes	-	(993 496)	(993 496)
Balance at 31 March 2020	1	19 364 830	19 364 832

Cash Flow Statement

Figures in Rand thousand	Note(s)	2020	2019
Cash Flows from Operating Activities			
Receipts			
Grants		1 293 589	1 388 918
Interest Income		2 386	1 925
Other Receipts		930	2 178
		1 296 905	1 393 021
Payments			
Employee Costs		(79 882)	(82 347)
Goods and Services		(40 062)	(67 224)
Interest and Penalties		(9)	(1 577)
Repairs and Maintenance		(29 099)	(36 201)
Other Payments		(3 400)	(2 861)
		(152 452)	(190 210)
Net Cash Flows from Operating Activities	26	1 144 453	1 202 811
Cash flows from Investing Activities			
Purchase of Property, Plant and Equipment	2	(1 166 605)	(1 149 625)
Purchase of Other Intangible Assets	3	-	(9)
Deposit Paid on Borrow Pit		(120)	(30)
Net Cash Flows from Investing Activities		(1 166 725)	(1 149 664)
Cash Flows from Financing Activities			
Finance Lease Payments		(221)	(348)
		(22 493)	52 799
Net Increase / (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at the Beginning of the Year		170 073	117 274
Cash and Cash Equivalents at the End of the Year	7	147 580	170 073

Statement of Comparison of Budget and Actual Amounts

Figures in Rand thousand

Budget on Cash Basis

	Approved Budget	Adjustments	Final Budget	Actual amounts on Comparable Basis	Difference between Final Budget and Actual	Reference for Comments
Statement of Financial Performance						
Revenue						
Revenue from Exchange Transactions						
Other Income - (roll up)	1 294	18	1 312	1 185	(127)	1
Interest Received Investment	2 103	1 321	3 424	2 278	(1 146)	2
Total Revenue from Exchange Transactions	3 397	1 339	4 736	3 463	(1 273)	
Revenue from Non-Exchange Transactions						
Transfer Revenue						
Government Grants & Subsidies	1 400 308	280 000	1 680 308	1 293 589	(386 719)	3
Contributions by Other Entities	-	-	-	2 6789	26789	4
Total Revenue from Non-Exchange Transactions	1 400 308	280 000	1 680 308	1 320 378	(359 930)	
Total revenue	1 403 705	281 339	1 685 044	1 323 841	(361 203)	
Expenditure						
Personnel	(98 267)	14 680	(83 587)	(80 149)	3 438	
Depreciation	-	-	-	(2 005 238)	(2 005 238)	5
Impairment Loss/ Reversal of Impairments	-	-	-	(121 668)	(121 668)	6
Finance Costs and Penalties	-	(9)	(9)	(9)	-	
Repairs and Maintenance	(2 760)	(160)	(2 920)	(30 251)	(27 331)	7
Bad Debts	-	-	-	(319)	(319)	
Project Expenses	(1 207 243)	(328 313)	(1 535 556)	(1 293 589)	241 967	8
General Expenses	(87 218)	32 485	(54 733)	(46 233)	8 500	9
Total Expenditure	(13 954 88)	(281 317)	(1 676 805)	(3 577 456)	(1 900 651)	
Surplus / (Deficit) for the Year	8 217	22	8 239	(2 253 615)	(2 261 854)	

Comments and Variance Analysis

#1: Other Income. The decline is mainly due to a significant decrease in the number of tenders advertised in the current year

#2: Interest Income. Interest generated is below budget due to grants not transferred by year-end caused by non-compliance with conditions of the grant.

#3: Government Grants & Subsidies. The grant was withheld by the transferring department, National Department of Transport

#4: Private Sector Contributions. Private sector contributions were not budgeted for since the entity's budget is based on grant allocated by LDPWRI

#5: Depreciation. The entity does not budget for non-cash items, hence no budget for depreciation. Depreciation is high due to significant value of infrastructure assets.

#6: Impairment Loss. The entity does not budget for non-cash items, hence no budget for impairment. Impairment on road infrastructure is caused by delays in maintenance of road infrastructure due to budget pressure.

#7: Repair and Maintenance. Repair and Maintenance's actual spending was less than expected due to cost containment initiatives implemented during the year on the general expenditures.

#8: Project Expenditure. The overall underspending on the road infrastructure expenditure was R241.967million. The under spending was mainly on the Provincial Maintenance Grants due to non appointment of contractors following the withdrawal of conditional grants by the National Department of Transport.

#9: General Expenses. General expenses are below budget mainly due to implementation of the cost containment initiatives during that year which resulted in a reduction in the professional fees and travel claims of the staff.

1. Accounting Policies

Notes to the Annual Financial Statements

1.1 Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

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.

Contingent Provisions on Entity Combinations

Management applies its judgement to the facts, patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

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. 1.4 Property, plant and equipment.

Notes to the Annual Financial Statements

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 de recognised.

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.

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 de recognised.

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 depreciable amount of an asset is allocated on a systematic basis over its useful life.

Notes to the Annual Financial Statements

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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 de recognised 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 de recognition of an item of property, plant and equipment is included in surplus or deficit when the item is de recognised. The gain or loss arising from the de recognition 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.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rental send and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 34).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note2).

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.

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.

Notes to the Annual Financial Statements

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 a amortisation is provided on a straight line basis over their useful life.

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

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

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

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

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.

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

Notes to the Annual Financial Statements

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
- 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.

Notes to the Annual Financial Statements

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.

A financial asset is past due when a counter party 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;
- 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 a mortised cost or financial instruments at cost.

Notes to the Annual Financial Statements

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.

Notes to the Annual Financial Statements

1.9 Impairment of Non-Cash-Generating Assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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:

- the period of time over which an asset is expected to be used by the entity; or

- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

1.10 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.

1.11 Employee Benefits

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

Notes to the Annual Financial Statements

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 un discounted 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 un discounted 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.

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.

1.12 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.

Notes to the Annual Financial Statements

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

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

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus (deficit).

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 there structuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

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 debt or fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Notes to the Annual Financial Statements

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.

1.13 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.

1.14 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.

Notes to the Annual Financial Statements

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, there cognition 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.

Notes to the Annual Financial Statements

1.15 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.

Government Grants

Government grants are recognised as revenue when:

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

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

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

When government remit grants on a reimbursement 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.

Notes to the Annual Financial Statements

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.

1.16 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.

1.17 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 expense in the statement of financial performance in the period incurred.

1.18 Fruitless and Wasteful Expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The

expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 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 their regular 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.

Notes to the Annual Financial Statements

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 their regular 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 there to 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.

1.20 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 an 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.

1.21 Related Parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand thousand

2. Property, Plant and Equipment

	2020			2019		
	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	81 065	(30 563)	1 925	50 529	(29 001)	52 064
Furniture and Fixtures	5 494	(4 208)	2 178	1 286	(3 882)	1 587
Motor Vehicles	645	(326)	1 393 021	319	(272)	373
Office Equipment	3 525	(3 126)	(82 347)	399	(2 653)	829
IT Equipment	9 799	(7 716)	(67 224)	2 083	(6 916)	2 841
Roads and Bridges	44 182 045	(26 619 135)	(1 577)	17 562 910	(24 519 003)	18 334 664
PPE Under Construction	1 843 639	-	(36 201)	1 843 639	-	2 289 700
Total	46 129 912	(26 665 047)	19 464 865	45 247 485	(24 561 727)	20 685 758

Reconciliation of Property, Plant and Equipment - 2020

	Opening Balance	Additions	Transfer	Write Off	Depreciation	Impaired Loss	Total
Land	3 700	-	-	-	-	-	3 700
Buildings	52 064	-	-	-	(1 535)	-	50 529
Furniture and Fixtures	1 587	24	-	-	(325)	-	1 286
Motor Vehicles	373	-	-	-	(54)	-	319
Office Equipment	829	43	-	-	(473)	-	399
IT Equipment	2 841	43	-	-	(801)	-	2 083
Roads and Bridges	18 334 664	1 351 813	-	-	(2 001 900)	(121 667)	17 562 910
PPE Under Construction	2 289 700	875 809	(1 291 730)	(30 140)	-	-	1 843 639
	20 685 758	2 227 732	(1 291 730)	(30 140)	(2 005 088)	(121 667)	19 464 865

Notes to the Annual Financial Statements

Figures in Rand thousand

3. Intangible Assets

Reconciliation of Property, Plant and Equipment - 2019

	Opening Balance	Additions	Transfer	Write Off	Depreciation	Impaired Loss	Total
Land	3 700	-	-	-	-	-	3 700
Buildings	53 598	-	-	-	(1 534)	-	52 064
Furniture and fFixtures	1 853	55	-	-	(321)	-	1 587
Motor Vehicles	59	340	-	-	(26)	-	373
Office Equipment	1 368	70	-	-	(609)	-	829
IT Equipment	2 652	917	-	-	(728)	-	2 841
Roads and Bridges	19 366 653	1 048 957	-	-	(2 001 715)	(79 231)	18 334 664
PPE Under Construction	2 092 105	1 273 774	(1 049 667)	(26 512)	-	-	2 289 700
	21 521 988	2 324 113	(1 049 667)	(26 512)	(2 004 933)	(79 231)	20 685 758

	2020			2019		
	Cost / Valuation	Accumulated Amortisation and Accumulated Impairment	Carrying Value	Cost / Valuation	Accumulated Amortisation and Accumulated Impairment	Carrying Value
Computer Software	1 814	(1 725)	89	1 814	(1 576)	238
Website Design	1 661	(1 661)	-	1 661	(1 661)	-
Total	3 475	(3 386)	89	3 475	(3 237)	238

Notes to the Annual Financial Statements

Figures in Rand thousand

Reconciliation of Intangible Assets - 2019

	Opening Balance	Additions	Amortisation	Total
Computer Software	394	9	(165)	238

Reconciliation of Intangible Assets - 2020

	Opening Balance	Amortisation	Total
Computer Software	238	(149)	89

4. Other Receivables

Returnable Rehabilitation Deposit

Other receivables relates to refundable deposits made to the Department of Minerals Resources for rehabilitation of borrow pits used for entity's projects

2 670 2 790

5. Inventories

Consumable Stores

222 173

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 R466 962, (2019: R630 513).

Notes to the Annual Financial Statements

Figures in Rand thousand

	2020	2019
6. Receivables		
Trade Debtors	976	703
Pre Payments	456	1 221
Students and Staff Bursaries	1 700	1 208
Provision for Doubtful Debts	(934)	(615)
Accrual Interest	52	160
	2 250	2 677

Trade and other Receivables Impaired

The Ageing of the Receivables Impaired is as follows:

Over 3 months	934	615
---------------	-----	-----

Reconciliation of Provision for Impairment of Trade and Other Receivables

Opening Balance	615	417
Provision for Impairment	319	198
	934	615

7. Cash and Cash Equivalents

Cash and Cash Equivalents consist of:

Cash on Hand	1	-
Bank Balances	147 579	170 073
	147 580	170 073

Notes to the Annual Financial Statements

Figures in Rand thousand

2020

2019

8. Share Capital / Contributed Capital

Authorised

100 Ordinary Shares of R1 each

1

1

Reconciliation of Number of Shares Issued:

Issue of shares – Ordinary Shares

1

1

9. Finance Lease Obligation

Minimum Lease Payments Due

- within one year

-

229

-

229

Less: Future Finance Charges

-

(8)

Present Value of Minimum Lease Payments

-

221

Present Value of Minimum Lease Payments Due

- within one year

-

221

RAL leased eight multi functional printers from BCM Digison CC from 1 November 2016 for 3 years. Thirty six lease instalments 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

Notes to the Annual Financial Statements

Figures in Rand thousand

	2020	2019
10. Payables from Exchange Transactions		
Trade Payables	89 372	313 178
Payables Partnerships	92 046	78 816
13th Cheque	981	931
Employee Accruals	3 597	3 371
Accrued Expense	4 784	206
Retention Fees	59 861	104 443
Other Payables	241	223
	250 882	501 168

Aging of Trade Payables

Current (0 - 30 Days)	84 787	257 967
31 - 60 Days	4 489	25 584
61 - 90 Days	-	1 080
Over 90 Days	96	28 547
	89 372	313 178

11. Payables from Non-Exchange Transactions

Other Payables Own Revenue -LDPWRI	1 963	1 994
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Notes to the Annual Financial Statements

Figures in Rand thousand

2020

2019

12. Revenue

Other Income	1 185	2 279
Interest Received	2 278	2 007
Government Grants & Subsidies	1 293 589	1 388 918
Contributions by Other Entities	26 789	28 507
	1 323 841	1 421 711

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

Other Income	1 185	2 279
Interest Received	2 278	2 007
	3 463	4 286

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

Transfer Revenue		
Government Grants & Subsidies	1 293 589	1 388 918
Contributions by Other Entities	26 789	28 507
	1 320 378	1 417 425

Notes to the Annual Financial Statements

Figures in Rand thousand

	2020	2019
13. Repairs and Maintenance		
Land and Building		
Repairs and Maintenance	802	1 365
Motor Vehicles		
Repairs and Maintenance	-	3
Equipment		
Repairs and Maintenance	-	261
Furniture and Fittings		
Repairs and Maintenance	350	626
Project Expenses		
Repairs and Maintenance	29 099	40 527
	30 251	42 782
14. Other Income		
Application Fees	510	474
Rental bill Boards	418	621
Sundry Income	146	69
Tender Documents	19	777
Sundry Income - Penalties	8	238
Rental of Aerial Space	84	78
Court Settlements	-	22
	1 185	2 279

Notes to the Annual Financial Statements

Figures in Rand thousand

	2020	2019
15. Interest Income		
Bank	2 220	1 979
Interest Charged on tTrade and Other Receivables	58	28
	2 278	2 007
16. Government Grants and Subsidies		
Operating Grants		
Government Grant - Administration	127 573	153 544
Government Grant - Infrastructure Projects	1 166 016	1 235 374
	1 293 589	1 388 918
17. Contributions by Other Entities		
Private Sector Contributions	26 789	28 507

Details on Contributions by Other Entities

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.

Lepelle-Nkumpi Local Municipality constructed three bridges on RAL's road network. The total cost of the bridges, which approximate their fair value, is R25 034 551.

De Beers has contributed R444 232 towards repair of one of the entity's roads, road D2692 in Musina District Municipality, as part of their Corporate Social Responsibility.

Notes to the Annual Financial Statements

Figures in Rand thousand

	2020	2019
18. Employee Related Costs		
Basic	48 589	48 365
Bonus	6 420	6 461
Medical Aid - Company Contributions	762	776
UIF	151	161
Leave Pay Provision Charge	348	871
Other Allowances	238	348
Post Retirement Benefit Plan - Defined Contribution	5 897	6 196
Travel and Housing Allowances	17 744	19 169
	80 149	82 347
19. Depreciation and Amortisation		
Property, Plant and Equipment	2 005 088	2 004 670
Intangible Assets	149	165
	2 005 237	2 004 835
20. Impairment of Assets		
Impairments		
Property, Plant and Equipment	121 668	79 231
21. Interest and Penalties		
Trade and Other Payables	-	1 531
Finance Leases	9	46
	9	1 577

Notes to the Annual Financial Statements

Figures in Rand thousand

2020

2019

22. Provision for Bad Debts

Contributions to Debt Impairment Provision	319	198
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23. General Expenses

Advertising	4 922	8 801
Assessment Rates & Municipal Charges	1 377	1 377
Auditors Fees and Expenses	3 900	4 190
Bank Charges	46	61
Cleaning	20	45
Computer Expenses	33	16
Consulting and Professional Fees	12 281	9 442
Consumables	223	442
Insurance	508	454
Conferences and Seminars	619	441
Magazines, Books and Periodicals	114	-
Motor Vehicle Expenses	18	10
Accommodation	783	809
Fuel and Oil	17	-
Postage and Courier	21	19
Printing and Stationery	212	783
Security	1 310	1 047
Subscriptions and Membership Fees	230	131
Telephone and Fax	1 632	1 803
Training	668	897
Subsistence and Travel	4 528	3 610

Notes to the Annual Financial Statements

Figures in Rand thousand

	2020	2019
23. General Expenses Continued		
Uniforms	443	-
Licenses	1 457	661
Catering Expenses	96	104
Rentals	61	-
Legal Expenses	7 583	5 681
Bursaries	582	453
Court Settlements	1 203	12 965
Directors Remunerations	825	834
Recruitment Costs	521	209
	46 233	55 285

24. De Recognition of Roads and Bridges

De recognition of Roads and Bridges	30 140	27 221
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This represent expenditure on infrastructure assets that do not meet requirements for capitalisation

25. Auditors' Fees and Expenses

Fees and Expenses	3 900	4 190
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Notes to the Annual Financial Statements

Figures in Rand thousand

	2020	2019
26. Cash Generated from Operations		
Deficit	(990 166)	(871 765)
Adjustments for:	2 005 238	2 004 835
Depreciation and Amortisation		
Impairment Loss	121 668	79 231
Debt Impairment	319	198
Non-cash Project Expenses	-	298
Roads and Bridges Constructed by Other Entities	(26 789)	(28 507)
Transfer of Own Revenue	(3 330)	(4 286)
Changes in Working Capital:		
Inventories	(49)	155
Receivables	427	(391)
De recognition of Roads and Bridges	30 140	27 221
Payables from Exchange Transactions	6 995	(4 178)
	1 144 453	1 202 811

Notes to the Annual Financial Statements

Figures in Rand thousand

2020

2019

27. Commitments

Authorised Capital Expenditure

Already Contracted for but not Provided for

• Roads Construction	1 055 631	2 137 430
• Roads Maintenance and Rehabilitation	5 589	101 111
	1 061 220	2 238 541

Total Capital Commitments

Approved and Contracted

1 061 220 2 238 541

Authorised Operational Expenditure

Already contracted for but not provided for

• Property, Plant and Equipment	351	-
• Other Commitments	35 875	16 167
	36 226	16 167

Total Operational Commitments

Approved and Contracted

36 226 16 167

Total Commitments

Total Commitments

Authorised Capital Expenditure	1 061 220	2 238 541
Authorised Operational Expenditure	36 226	16 167
	1 097 446	2 254 708

Notes to the Annual Financial Statements

Figures in Rand thousand

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2019

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.

Operating Leases-as Lessee (expense)

Minimum Lease Payments Due

- within one year

61

-

The entity leased photo copiers from Nashua for a period of 6 months, effective from 1 January 2020 for a total lease amount of R121 844.

Rental Expenses Relating to Operating Leases

Minimum lease payments

61

-

28. Contingent Assets and Liabilities

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 as at 31 March 2020 is R38.407 million (2019: R26.702 million) and R31.091 million (2019: R17.801 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 2020 is R37million (2019: R37million) and R5 million (2019: 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 2020 is R2.092 million (2019: R2.092 million and R2.092 million (2019: R1.100 million) respectively.

Notes to the Annual Financial Statements

Figures in Rand thousand

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2019

4. Property Infringement

The entity received total claims of R26.470 million (2019: R6.470 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 R25.751 million (2019: R5.251million).

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 R56.824 million (2019: R18.660 million) while total settlements are estimated at R35.657 million (2019: R16.699 million).

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

Contingent Assets

The entity has instituted legal proceedings against the contractor and engineers responsible for the project RAL/C547/2014 after it was noted that there were flaws in the design and construction of the road. RAL claims an amount of R64.907 million (2019: R64.907 million) from contractors and engineers in order to correct the defects.

Notes to the Annual Financial Statements

Figures in Rand thousand

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29. Related parties

Relationships

Directors	Refer to Directors' report
Ultimate Controlling Department	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 Receivables (Trade Payable) regarding related parties

Limpopo Department of Public Works, Roads & Infrastructure	(1 963)	(1 994)
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Pre-payment of Directors fees

RAL - Board of Directors	-	37
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Rates for the directors' remuneration were changed in previous financial year, and it was noted after payments that the old rates were used. Remaining amount overpaid will be offset against directors' fees payable in future.

Related Party Transactions

Transfer of own Revenue

Limpopo Department of Public Works, Roads & Infrastructure	3 330	4 286
Own revenue generated is transferred to Limpopo Department of Public Works, Roads & Infrastructure as required by the department		

Government Grant Received

Limpopo Department of Public Works, Roads & Infrastructure	1 293 589	1 388 918
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Notes to the Annual Financial Statements

Figures in Rand thousand

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2019

Remuneration of Directors and Management

Executive Management

2020

Name	Basic Salary	Travel & Housing Allowance	Medical & Pension Contribution	Productivity Incentive	Total
K Tului (GM: Planning)	1 160	584	170	186	2 100
M Ramaboea (GM: Operations)	1 200	592	187	192	2 171
H Magopa (CFO)	1 233	609	192	159	2 193
J Boshielo (Executive: Corporate services)	1 327	507	191	196	2 221
S Gamakulu (Executive: Monitoring)	1 160	572	182	186	2 100
K Maphutha (SNR Manager: Risk and compliance)	903	333	132	129	1 497
T Kekana (Company secretary)	1 082	410	158	160	1 810
	8 065	3 607	1 212	1 208	14 092

Notes to the Annual Financial Statements

Figures in Rand thousand

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2019

Name	Basic Salary	Travel & Housing Allowance	Travel & Housing Allowance	Productivity Incentive	Total
L Fosu (CFO)	95	63	-	-	158
C Ruiters (Executive: Engineering)	1 491	564	210	135	2 400
K Maphutha (SM: Risk & Compliance)	849	316	125	121	1 411
H Magopa (CFO)	1 017	663	152	124	1 956
T Kekana (Company Secretary)	1 054	395	153	150	1 752
J Boshielo (Executive: Corporate services)	1 251	528	185	184	2 148
S Gamakulu (Executive: Monitoring)	1 131	551	175	123	1 980
	6 888	3 080	1 000	837	11 805

30. Directors' Emoluments

Non-Executive Directors

2020

Name	Emoluments	Total
M.S Ralebipi (Chairperson)	109	109
W.N.G Moleko (Board Member)	83	83
M.P.K Tshivhase (Board Member)	61	61
T.M Ramabulana (Board Member)	76	76
	329	329

Notes to the Annual Financial Statements

Figures in Rand thousand

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30. Directors' Emoluments Continued

2019

	Emoluments	Total
M.S Ralebipi (Chairperson)	101	101
W.N.G Moleko (Board Member)	59	59
M.P.K Tshivhase (Board Member)	54	54
T.M. Ramabulana (Board Member)	59	59
	273	273

Executive Directors

2020

	Basic Salary	Total
G.M Maluleke (CEO)	2 694	2 694

Mr G.M Maluleke: Appointed as CEO from 1 January 2020

2019

	Basic Salary	Medical & Pension Contributions	Travel & Housing Allowance	Productivity Incentive	Total
M.P Matji (CEO)	1 578	228	785	265	2 856
G.M Maluleke (Interim CEO)	210	-	-	-	210
	1 788	228	785	265	3 066

Mr M.P Matji (CEO): Resigned 28 February 2019

Mr G.M Maluleke: Appointed as Interim CEO from 1 March 2019 to 31 December 2019

Notes to the Annual Financial Statements

Figures in Rand thousand

2020

2019

30. Directors' Emoluments Continued

Audit and Risk Committee Members

2020

	Emoluments	Total
M.Mokoka (Chairperson)	207	207
Z Samsam (Member)	196	196
T Boltman	12	12
	415	415

2019

	Emoluments	Total
M.Mokoka (Chairperson)	207	207
Z Samsam (Member)	156	156
T Boltman	197	197
	560	560

Notes to the Annual Financial Statements

Figures in Rand thousand

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2019

31. Prior Period Errors

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

Three roads were completed in the previous financial years but were never transferred to the completed assets and depreciated accordingly. As a result, the annual financial statements of the previous financial years were misstated. Two roads, D9 and D3537, were completed in 2016/17 financial year at a total cost of R159 million. The other road, D2119, was completed in 2017/18 financial year at a total cost of R33 million. The total length of the three roads is 24km's

The entity had capitalised non-qualifying expenditure on the infrastructure assets in the previous years, this was identified and corrected in the current year by restating prior period figures.

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

Statement of Financial Position - Extract

	Comparative Figures Previously Reported	Adjustment Figures	Comparative Figures After Restatement
Property, Plant and Equipment	20 742 261	(56 503)	20 685 758
Accumulated Surplus	(20 412 803)	54 477	(20 358 326)
Payables from Exchange Transactions	(503 194)	2 026	(501 168)
Total	(173 736)	-	(173 736)

Statement of Financial Performance - Extract

	Comparative Figures Previously Reported	Adjustment Figures	Comparative Figures After Restatement
Contributions by Other Entities	24 261	4 246	28 507
Depreciation and Amortisation	(1 988 829)	(16 006)	(2 004 835)
De recognition of Roads and Bridges	-	(27 221)	(27 221)
Total	(1 964 568)	(38 981)	(2 003 549)

Notes to the Annual Financial Statements

Figures in Rand thousand

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32. 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 commitments monitored.

The table below analyses the entity's financial liabilities and 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 un discounted 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.

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

	2020	2019
Financial Instrument		
Receivables from Exchange Transactions	2 250	2 677
Non-current Receivables	2 670	2 790
Cash and Cash Equivalent	147 580	170 073

Notes to the Annual Financial Statements

Figures in Rand thousand

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Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market price

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.

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

	2020	2019
Receivable from exchange transactions	2 250	2 677
Cash and cash equivalent	147 580	170 073

Liquidity Risk Table

2020	No later than one month	Later than one month & not later than three months	Later than three months & not later than one year	Total
Payables from Exchange Transactions	250 883	-	-	250 882
Payables from Non-exchange Transactions	1 963	-	-	1 963

2019	No later than one month	Later than one month & not later than three months	Later than three months & not later than one year	Total
Gross Finance Lease Obligations	33	66	122	221
Payables from Exchange Transactions	501 168	-	-	501 168
Payables from Non-exchange Transactions	1994	-	-	1994

Notes to the Annual Financial Statements

Figures in Rand thousand

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33. Going Concern

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 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.

34. Fruitless and Wasteful Expenditure

Opening Balance	11 858	388
Add: Fruitless & Wasteful Expenditure - Current Year	1	11 483
Add: Correction of Prior Year Error	2	(13)
Less: Fruitless & Wasteful Expenditure Recovered	(1)	-

Notes to the Annual Financial Statements

Figures in Rand thousand

	2020	2019
	11 860	11 858
35. Irregular Expenditure		
Opening Balance	3 127 251	1 913 090
Prior Period Error as Restated:	-	269 455
Add Irregular Expenditure - Current Year	901 997	944 706
	4 029 248	3 127 251
Details of Irregular Expenditure are as follows:		
1. SCM Process not followed	311 153	920 448
2. SCM Supporting Documents not available	10 150	24 258
3. Projects not budgeted per Vote 9 table B5	534 667	-
4. Payments made on Expired Service Level Agreements	46 027	-
	901 997	944 706

Investigations on irregular expenditure are currently underway and goods and services relating to irregular expenditure transactions have been received.





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