

Celebrating  
**20**  
1998 - 2018  
YEARS OF SERVICE



Annual Report  rt 20**17-18**



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*Centenary*  
2018



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**PART A**  
**GENERAL**  
**INFORMATION**



## 1. General Information of the Cross-Border Road Transport Agency

<b>Registered name:</b>	Cross-Border Road Transport Agency
<b>Physical address:</b>	Glen Manor Office Park Building 3 138 Frikkie De Beer Street Menlyn Pretoria South Africa
<b>Postal address:</b>	PO Box 560 Menlyn 0063 Pretoria South Africa
<b>Telephone number:</b>	+27 12 471 2000
<b>Fax number:</b>	+27 (0)12 369 8485
<b>Website address:</b>	<a href="http://www.cbirta.co.za">www.cbirta.co.za</a>
<b>External auditors:</b>	Auditor-General of South Africa
<b>Bankers:</b>	First National Bank 5 <sup>th</sup> Floor, FNB Menlyn Place Cnr. Lois Avenue and Atterbury Menlyn, Pretoria, South Africa
<b>Company/Board Secretary</b>	Kethabile Mabe Executive Governance and Legal Services





## 2. List of Abbreviations/Acronyms

<b>AGM</b>	Annual General meeting
<b>AGSA</b>	Auditor-General of South Africa
<b>APP</b>	Annual Performance Plan
<b>ARC</b>	Audit and Risk Committee
<b>BBBEE</b>	Broad Based Black Economic Empowerment
<b>BCOCC</b>	Border Control Operational Coordinating Committee
<b>BMA</b>	Border Management Agency
<b>C-BRTA</b>	Cross-Border Road Transport Agency
<b>CBRTS</b>	Cross Border Road Transport System
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CIO</b>	Chief Information Officer
<b>CONDEP</b>	Container Depot
<b>CPIX</b>	Consumer Price Index
<b>DoT</b>	Department of Transport
<b>DPSA</b>	Department of Public Service and Administration
<b>DRC</b>	Democratic Republic of Congo
<b>FID</b>	Facilitation and Industry Development
<b>FSB</b>	Financial Services Board
<b>FTC</b>	Fixed Term Contract
<b>IACF</b>	Inter-Agency Clearing Forum
<b>IPDP</b>	Industry Partnership Development Programme
<b>JC</b>	Joint Committee
<b>JRMG</b>	Joint Route Management Group
<b>MAR</b>	Market Access Regulation

<b>MTEF</b>	Medium Term Expenditure Framework
<b>MTSF</b>	Medium Term Strategic Framework
<b>NDP</b>	National Development Plan
<b>NRTA</b>	National Road Traffic Act
<b>NTB</b>	Non-Tariff Barrier
<b>OCAS</b>	Operator Compliance Accreditation Scheme
<b>OGEFREM</b>	Office de Gestion du Fret Multimodal
<b>PCOT</b>	Portfolio Committee on Transport
<b>PFMA</b>	Public Finance Management Act
<b>PMS</b>	Performance Management Systems
<b>RAF</b>	Road Accident Fund
<b>RC</b>	Regulatory Committee
<b>REMCO</b>	Remuneration Committee
<b>RSA</b>	Republic of South Africa
<b>RTI</b>	Road Transport Inspectorate
<b>RTMC</b>	Road Traffic Management Corporation
<b>SACU</b>	Southern African Customs Union
<b>SADC</b>	Southern African Development Community
<b>SALGA</b>	South African Local Government Association
<b>SANRAL</b>	South African National Roads Agency
<b>SATC</b>	South African Transport Conference
<b>SCM</b>	Supply Chain Management
<b>SMME</b>	Small Medium and Micro Enterprise
<b>TKC</b>	Trans Kalahari Corridor
<b>TR</b>	Treasury Regulations



### 3. Foreword by the Chairperson

#### Introduction

The year 2018 marks the twenty-year anniversary of the C-BRTA existence since it was established in 1998 to champion the seamless cross-border flow by road of commercial freight and passenger transport between South Africa and regional member. As we celebrate this milestone, we look back and reflect on the transformation journey the Agency undertook since its establishment. The primary focus of the Agency during the first decade of its existence was on the issuing of permits and the Agency at that time, did not participate in platforms where cross-border challenges were discussed and addressed. The financial year 2011/12, marked a great transformational moment with the adoption of Changing Gear Strategy. The Changing Gear Strategy was centred on projects like the Operator Accreditation System and Market Access Regulation tool which seeks to position the Agency as a true regulator of the cross-border industry.

The Agency entered the second decade with the realization of the need to broaden its scope in order to enhance value-add. To date, it is fully involved on matters affecting the cross-border road transport industry and participates in various fora with a view of resolving cross border challenges and positively impacting the industry.

A significant percentage of cross-border traffic in the region is carried by road transport and this necessitates that all stakeholders work together to ensure efficient and effective cross border road transport services. The aspirations of the National Development Plan with

respect to enhanced regional integration as well as the objective to increase trade amongst African states can only be achieved through effective and efficient road transport services. It is this recognition of the critical role of transport in economic growth of the African continent, that the Agency is championing the “Linking Africa Plan” as an initiative for repositioning the role of transport and trade as twin partners that can play a catalyst role in the transformation, diversification and growth of economies of African countries.

#### High-level overview of the entity and performance in the cross-border road transport sector

The Minister of Transport appointed the Road Traffic Management Corporation (RTMC) to perform the functions of the cross-border Road Transport Inspectorate on behalf of the Agency. To that extent, a binding agreement was concluded between the RTMC and C-BRTA resulting in a principal-agency relationship. The Agency continues to monitor the performance of law enforcement function through section 39 reports, which is a law enforcement report analysing law enforcement inspections conducted and cross border offences committed by cross border operators. The Agency is also championing regional integration and harmonization as well as spearheading social and economic development within the SADC region.

“Without trade, there can be no meaningful industrialization and without industrialization, Africa's economies cannot be transformed and meaningfully diversified”

The Agency achieved some milestones on a number of strategic initiatives and programmes that are geared towards achieving the unimpeded flow of goods and people across the borders while adding value to operations of our primary stakeholders.



### 3. Foreword by the Chairperson (cont.)

In line with its ambition to unlock Africa regional trade, the Agency developed the **Linking Africa Plan**, as a transport and trade plan which will be used as a campaign to mobilise all relevant stakeholders towards the efforts of improving integration and trade amongst the countries of the African continent. The Linking Africa Plan recognises transport and trade as twin partners to propel economic growth of African economies. The plan recognises that “Without transport there can be no trade. *Without trade, there can be no meaningful industrialization and without industrialization, Africa’s economies cannot be transformed and meaningfully diversified*”. The Agency hosted the OR Tambo International Road Transport Indaba during the October Transport Month in 2017 with the Linking Africa theme. The Indaba brought together various international experts across the world to present on best practice models and to contribute towards the development of the Linking Africa Plan as a continental and regional action plan to move Africa towards the aspirations of the AU Agenda 2063.

The Agency, together with the SADC Secretariat also championed the establishment of the SADC Cross-Border Transport Regulators Forum, which was subsequently approved by the SADC Ministers of Transport. This platform will be utilized to champion the ideals of the Linking Africa Plan while addressing the implementation of the SADC Protocol on Transport, Communication and Meteorology.

The Agency continued to work towards the development of an **Operator Compliance Accreditation Scheme (OCAS)** – which is an intelligent risk-based regulatory tool for certifying cross border operators. The scheme, once fully developed and implemented will connect SADC countries through a coherent and harmonized regulatory regime, separate compliant from non-compliant operators based on a predetermined risk profiling system, prioritize the movement of compliant operators and also ensure a high level of compliance to regulatory requirements through operator incentives. The operationalization of the scheme will also contribute significantly towards road safety and the reduction of accidents and fatalities on our roads.

During the 2017/18 financial year, the Agency focused on conducting consultations with the Shareholder department, and the objectives and intent of the scheme were





presented to DoT EXCO. The Agency also held a successful national stakeholder consultative workshop which reviewed the design framework of the Scheme and roles of stakeholders in its implementation. One of the outcomes of the workshop was the establishment of the National Steering Committee.

The Agency continued with the implementation of the **Market Access Regulatory tool (MAR)** which is a scientific tool used to regulate competition in respect of passenger transport. The tool enables the Agency to balance demand and supply in issuance of passenger transport permits. Focus in 2017/18 was on refinement of the MAR. The tool has been finalized and implementation in progress.

In line with its mandate of providing advice to the Minister and other key stakeholders on developments in the cross border corridors and at the borders, the Agency continued with compilation of the **Annual State of Cross-Border Operations Report (ASCBOR)** focusing on the assessment of cross border operations in the East

African Community (EAC), Common Market for Eastern and Southern Africa (COMESA) and Southern African Development Community (SADC) regions.

The report covered major constraints affecting efficiency of the transport corridors, major trade and transport initiatives unfolding in the region and other best practice models implemented successfully in other regions to address similar corridor constraints. The report recommends new trade and transport initiatives for implementation in the region.

During 2017/18 financial year, the Agency developed **country profiles on Swaziland and Botswana**, adding to those of Malawi, Kingdom of Lesotho, Zimbabwe and Mozambique conducted in the previous financial years, with the overall objective of providing up to date information to cross-border transport operators and the general domestic industry on respective countries focusing on the cross-border road transport and trade environments as well as opportunities thereof.

The country profile reports covered requirements for undertaking cross-border road transportation in respective countries and critical factors that influence the cross-border road transport industry. It includes the state of cross-border trade and transport industry, traffic volumes, cross-border regulatory environment, economic developments and opportunities and developments that may affect cross-border road transport operations as well as new entrants to the industry including Small-Micro-Medium-Enterprises (SMMEs).

The C-BRTA in line with the mandate of ensuring harmonisation of transport systems and equal treatment, undertook a comprehensive study of the cross border charges applicable in all countries in SADC. A business case on introduction of **cross border charges** was then developed to level the playing field for South African operators and to harmonize with other member states. A Task Team comprising of officials from the Department of Transport, C-BRTA, SANRAL and RAF was formed to take the process forward. The Task Team has since finalized the review of the business case for further submission to EXCO of the Department of Transport for approval. As at the end of the year, the business case was not yet presented to DoT EXCO.

The Agency remains committed and alert of its primary purpose of permit issuance hence it strives to improve efficiency and effectiveness in that regard. For the year under review, the Agency issued 91, 629 cross-border permits to facilitate the movement of goods and services in the region.

### 3. Foreword by the Chairperson (cont.)

#### Strategic Relationships

C-BRTA sustained a high level of effort towards addressing operational constraints that are faced by cross-border road transport. For the year under review, it managed to resolve most of the constraints that were registered through a collaborative and coordinated approach with domestic stakeholders (national departments, fellow regulatory agencies, provincial authorities, municipalities and metros as well as transport operators) and regional counterparts – also through established fora like the Joint Route Management Committees (JRMG), Joint Committees (JC), Operator Associations & Forums and other Stakeholder Consultative Forums.

During 2017/18 financial year, the National Stakeholder Consultative Forum was reconstituted to comprise of officials from all spheres of government which serves as an effective platform for resolving cross-border transport constraints. The Tour Operator's Forum was also launched during the year as a platform for engagements with the tour operators within the cross border industry.

The Agency continued to participate in the National Ministerial Task Team (NMTT) established to resolve the Free State/Kingdom of Lesotho impasse. The NMTT consists of representatives from the Department of Transport; the Free State Department of Police, Roads and Transport and the Kingdom of Lesotho Ministry of Public Works and Transport. The Provinces of KwaZulu-Natal and the Eastern Cape are also represented in the NMTT.

#### Challenges faced by the Board

The Agency's financial sustainability remains a key challenge as the Agency funds its operations through one primary stream being revenue generated from issuance of permits to South African operators. The permit tariffs were last increased in 2014 and the permit tariff regulations are currently under litigation. The non-adjustment of the permit tariffs on an annual basis may create a situation where the Agency is unable to raise adequate revenue to fund its operation. There are some efforts that are on-going to sustain the Agency whilst it is defending the matter in court. This includes the development of a permit tariff determination model and prepared permit tariff regulations for public comments and promulgation before implementation in the first quarter of 2018/19 financial year. The draft permit tariff regulations were gazetted for public comments in March 2018 and comments received are being considered by the Agency and the Department of Transport before finalizing the permit tariff regulations for promulgation and implementation.

Furthermore, the Agency is in a state of "technical insolvency" resulting from the Constitutional Court judgement in 2015 that necessitated that operators be refunded the difference between permit tariffs paid using 2011 permit tariffs and the lower 2003 permit tariffs fees. The Agency has since implemented cost cutting measures to ensure sustainable funding of the operations of the C-BRTA, whilst servicing the obligation to cross-border operators. The Agency is also pursuing the introduction of cross border charges on foreign vehicles as an instrument for levelling the playing field and creating fair competition for South African operators while generating the much

needed revenue to fund the Agency's operation. The business case on the levying of cross border charges has been finalized and currently going through approval processes in the Department of Transport.

Another key challenge relates to the on-going impasse relating to the issuance of passenger operations permit for the Free State/Kingdom of Lesotho corridor. The said impasse started in 1999 and has since been a challenge that affects and impedes normal passenger cross border movements on the RSA/Kingdom of Lesotho route. The Minister of Transport established a National Ministerial Task Team (NMTT) that was tasked with the responsibility of developing a lasting solution to the impasse. The matter was also reported to the SADC Secretariat which is aiding with the facilitation of developing a lasting solution in line with the SADC Protocol on Transport, Communications and Meteorology. The engagements with SADC Secretariat resolved that the two countries should consider entering into a bilateral agreement. The C-BRTA drafted a bilateral agreement to be signed between RSA and Lesotho. There are still ongoing engagements with all stakeholders on the agreement.

The Agency experienced a number of vacancies in the Board. The Department of Transport has been made aware of these vacancies and the process of filling the vacancies has been initiated.

#### Medium to long-term goals of the C-BRTA / The year ahead

The focus areas in the medium to long-term are driven by the need to strategically position the Agency in the



industry, pursue regulatory reforms and ensure financial sustainability of the Agency.

The Agency will continue to refine the Linking Africa Plan as a transport and trade plan which will be used as a campaign to mobilize all relevant stakeholders towards the implementation of various identified transport initiatives. The established SADC Cross-Border Transport Regulators Forum will be used as a monitoring platform for the Linking Africa initiatives while also monitoring the implementation of SADC Protocol on Transport, Communication and Meteorology. Engagements with various cross-border stakeholders will continue as part of the implementing the stakeholder management plan.

The compilation of the Annual State of Cross Border Operations Reports and country profiles shall continue with a view of providing advice to the cross-border stakeholders, SMME's and new entrants into the industry. The cross-border operations report for 2019 shall focus on thematic issues, challenges and development in the trade and road transport environment taking place in major corridors that link countries in sub-Saharan Africa while Namibia and Zambia country profiles will be developed during the financial year.

With compliance with road transport legislation being of high importance in the cross border industry, the Agency will continue with the development of Operator Compliance Accreditation Scheme (OCAS) as a key priority area. The scheme will be taken through the national governance structures for approval of reforms

while the internal focus will be on the development of OCAS implementation manuals.

Transformation in the business industry and the empowerment of emerging entrepreneurs remains focus areas and the Agency will continue with the implementation of border town initiatives and empowerment programmes for youth and women in the cross-border transport sector as part of implementing its industry development strategy. In order to improve efficiency and accessibility of services to the cross-border road transport operators, the Agency will be developing the Cross-Border Road Transport System which will amongst others enable decentralization of permit issuance and shortened turn-around times for issuing of permits while also reducing the cost of doing business for the cross-border operators.

The project for the levying of cross-border charges on commercial foreign vehicles will be pursued as part of the harmonizing transport systems with the rest of the region while also raising revenue to fund the operations of the Agency and enabling it to regulate the entire cross-border industry.

## Conclusion

The Agency remains committed to championing regional integration and harmonization of road transport systems within the region with a view of achieving the organizational mission of spearheading unimpeded flow of inter-state operations. The Agency will, through the Linking Africa Plan continue to engage robustly with various

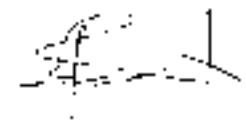
domestic and regional stakeholders to position transport as a heartbeat of economic growth and a facilitator of sustainable social and economic development in the region.

## Acknowledgements

On behalf of C-BRTA Board members, we sincerely thank the former Minister of Transport, Joe Maswanganyi for his guidance during his term, the Deputy Minister of Transport, Ms Sindisiwe Chikunga, the entire leadership of the Department of Transport and the Portfolio Committee of Transport under the chairpersonship of Ms Dikeledi Magadzi.

We also welcome the new Minister of Transport, Dr Bonginkosi Nzimande and pledge our commitment to working with the Minister in moving South Africa and the rest of the SADC region forward.

I wish to thank the collective of the Board, the leadership of the Agency under the CEO, Mr Sipho Khumalo as well as the entire staff of the C-BRTA.



**Mr M Ramathe**  
**Chairperson of the Board**

Date: 30 July 2018

“It  
always  
seems  
impossible until  
it’s done”

Nelson Mandela

## 4. Chief Executive Officer's Overview

### Introduction

“It always seems impossible until it's done” – Nelson Mandela

On behalf of the employees and the Board of Directors of the Cross-Border Road Transport Agency (C-BRTA), we hereby submit to the Parliament of South Africa, through the Executive Authority, the Minister of Transport (DoT): Dr Bonginkosi Nzimande, the Annual Report, associated with performance information, and audited financial statements of the Agency for the financial year ended 31 March 2018.

The Annual Report is in line with the Annual Report Guide for schedule 3A and 3C public entities as issued by the National Treasury and fairly represents the works of the C-BRTA along with its partners and the government of South Africa during the reporting period. The outputs of the Annual Report were in accordance with the predetermined objectives that are contained in the Annual Performance Plan for the financial year 2017/18 approved by the Board and tabled in Parliament of South Africa by the Minister of Transport.

We reflect on the last twelve months with a sense of contentment considering the strides taken by the C-BRTA

to achieve some key milestones considering the recent economic and political landscape. More so the history and the evolution of the Agency as it celebrates its 20 year anniversary since its establishment this year. The C-BRTA has grown from strength to strength over the past decade becoming one of the good stories to tell, coming from qualified audits in 2010/11 and turning that around to clean audits since 2015/16. This also includes improved organisational performance and strengthened relations with our stakeholders such as freight and passenger operators whom we are here to serve. It is therefore important as the C-BRTA that we continue to improve the services we offer according to our mandate which is to issue permits and regulate the cross-border industry.

In the recent years, the Agency has embarked, through its Research and Development capabilities on exploring several ideas which would graduate into projects that would contribute towards the free flow of traffic across regional borders. During the past year the emphasis was on the consultation and development of the Linking Africa plan which is our blueprint for championing transport and trade as twin partners to change the fortunes of the African continent. The C-BRTA in collaboration with the SADC Secretariat hosted a workshop in October 2017 to review the implementation of Chapters 5 and 6 of the SADC Protocol on Transport, Communications and Meteorology. The workshop was attended by ten SADC mainland member states who resolved to establish the Cross-Border Road Transport Regulators Forum (CBTRTF), a structure that would drive the implementation of relevant Chapters of the Protocol.

The Committee of SADC Ministers of Transport in their meeting in Malawi in November 2017 subsequently endorsed this decision. Following this groundbreaking development, the SADC Secretariat together with the C-BRTA hosted the inaugural meeting of the CBRTRF in March 2018 to develop the Terms of Reference (ToR) and the Action Plan for the Forum. As part of the ToR, the Forum established the Executive Committee to lead the activities of the Forum, and the C-BRTA was nominated as the Chairperson and Secretariat of the CBRTRF Executive Committee for the next two years.

### General financial review

In the year under review, permit revenue increased by 9%, being R213.6 million compared to R196,3 million in the previous year resulting in increase of R17,3 million from prior year. Penalty revenue for the year stood at R30,0 million compared to R28,7 million of the previous financial year. Interest income was R1,5 million more than budgeted, mainly due to a better than prudent cash flow management.

With the Constitutional Court judgement of 12 May 2015 declaring the 2011 permit tariff increase invalid, a liability of R318 million relating to operator refunds was created in the Agency's financial books. The Agency has paid R142,8 million up to the end of March 2018 and is reporting an accumulated deficit of R124,5 million for the year ending 31 March 2018. The provisions of the Prescription Act were considered and applied as at the end of the reporting period.

### Spending trends of the public entity

The Agency's expenditure for the financial year is R18,7 million below budget, mainly arising from savings in staff costs, operating expenses and depreciation.

### Capacity constraints and Challenges

The regulation of passenger cross-border operations between South Africa and the Kingdom of Lesotho remained a challenge in the year under review. A draft-consolidated agreement has been developed, however there are areas of misalignment that require intervention from the SADC Secretariat. Furthermore, there is a need to convene a Ministerial Task Team (MTT) on the RSA/Lesotho impasse to discuss areas of Lesotho's disagreement with the provisions advocated for by South Africa in preparation for the SADC meeting.

The MTT under the leadership of the Department of Transport continues to engage in parallel processes of development and consultation of an economic benefit-sharing model, which is meant to address the major issues around market share.

### Discontinued activities

There were no discontinued activities during the year under review.

### New or proposed activities

- The Linking Africa Plan  
 Through the Linking Africa Plan, we will continue to

accelerate our efforts of influencing stakeholders and leaders in other sectors. The Linking Africa Plan is a plan for integrating Africa through transport, trade; mutual respect and shared benefits for all Africans.

- To proactively promote transformation and development of the cross-border industry  
 The 2018/19 financial year will see a refocused approach to the transformation and development of the cross-border industry to address historical imbalances in the regulation of the industry through our approved Industry Development Strategy. This is in line with South Africa's development agenda.

### Supply Chain Management

The C-BRTA continued to process procurement requirements in accordance with the relevant prescripts. Procurement of goods and services were done within the confines of the supply chain management prescripts and the contract management register was maintained with a view of preventing any incurrence of irregular expenditure.

All bids are subjected to evaluation and adjudication by the respective bid evaluation committees as appointed and measures are put in place to ensure there are no conflict of interest in the evaluation and adjudication of bids.

All concluded unsolicited bid proposals for the year under review.

The C-BRTA did not have unsolicited bid proposals for the year under review.



## 4. Chief Executive Officer's Overview (cont.)

### SCM processes and systems in place

The SCM processes and systems are in place, and are reviewed as and when is necessary as per the PFMA and Treasury Regulations. The Agency complies with the National Treasury instruction notes and regulations on supply chain management as issued from time to time.

### Reflecting on Past Performance

In the year under review, the Agency achieved 92% on pre-determined objectives, an improvement of 25% compared to the 67% in the prior year. I also wish to highlight the following achievements:

- 91 629 cross-border permits were issued to facilitate the movement of goods and passengers in the region, this was a 20, 5% increase against the targeted 76 000 permits.
- As part of developing and implementing a new cross-border management system, EXCO approved business case on phase 1 of the cross-border management system, which is aimed at systems integration and accessibility to the cross-border operators we serve.
- The Permit Fee Regulations were developed and submitted to the Department of Transport.
- The Market Access Regulation tool was refined and implemented in all the corridors to manage supply and demand of cross-border passenger transport.
- As part of developing and implementing the Operator Compliance Accreditation Scheme (OCAS), Memorandum was submitted to the Committee of Transport Officials (COTO) and Minister and Members

of Executive Councils Meeting (MINMEC). The Board approved the legislative reform proposal which was subsequently submitted to the Department of Transport.

- Temporary permits were issued within the pre-determined turnaround times of within 1 day in the front office and within 2 days for the remote office.
- 4 Law enforcement reports (Section 39 (2) were produced to aid decision making and intelligent law enforcement operations.
- A stakeholder management plan was developed and approved to support effective engagement of stakeholders.
- The Agency continues to have annual engagements with counterparts through Joint Committees as prescribed in the bilateral Road Transport Agreements that South Africa has concluded with SADC member states with a view to implement the SADC Protocol and address challenges faced by cross-border operators. In the financial year under review, these engagements were conducted with Botswana, Democratic Republic of Congo, Mozambique, Zambia and Zimbabwe.
- An Industry Development Strategy was developed and approved by the Board and submitted to the Minister of Transport. A number of programmes emanating from the Industry Development Strategy were implemented. These include engagements with the Industry stakeholders like the North West Development Corporation (NWDC), the Tourism Roadshows where presentations were made on the services offered by the Agency as well as on operator



compliance issues.

- The Agency signed a Memorandum of Understanding with Chief Albert Luthuli Municipality on Border Towns Initiative. Continued collaboration and partnership between the Agency and the border towns will help identify road transport opportunities that municipalities (which are mostly rural in nature) can take advantage of for economic development of their border towns. Women and youth are being targeted for entrepreneurial opportunities with a view to address the triple challenges of poverty, inequality and unemployment in border towns.
- An ASCBOR report was submitted to the Minister of Transport and posted on the Agency's website for other stakeholders. The report seeks to equip stakeholders with valuable information that will enable them to:
  - o Address transport and trade challenges in their respective spheres (e.g. political, policy, legislative, regulatory and operational) with a view to meet strategic objectives set out in key continental and regional transport agreements, treaties, protocols and programmes;
  - o Link Africa through the creation of regional road transport corridors, characterised by the



seamless movement of cross-border road transport traffic in order to stimulate intra- Africa trade and socio-economic development;

- o Reduce tariff and Non-Tariff Barriers (NTBs) and operational constraints faced by transport operators and traders; and
- o Enhance the competitiveness of the cross-border road transport environment.

The fifth ASCBOR focuses on the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC). These 3 Regional Economic Communities (RECs) are commonly referred to as the EAC- COMESA-SADC Tripartite, or Tripartite.

The state of the cross-border road transport environment in the Tripartite requires urgent intervention as it is inundated by various infrastructure challenges that hinder the optimal performance of the transport system. Without an efficient transport system, the Tripartite stands very little chance of achieving strategic goals that revolve around linking African economies, enhancing intra-regional and intra- Africa trade and achieving regional integration imperatives.

- Two country profiles for Swaziland and Botswana were developed. The country profiles seek to disseminate information useful to key stakeholders in the cross-border road transport environment, particularly cross-border road transport operators, regulatory authorities and trading parties with interest in Swaziland and Botswana. The information is intended to support informed decision making and identify opportunities for stakeholders. The aspects covered on the profiles amongst others are; the overview of the country, the economic outlook and the road transport environment. Some of the opportunities identified in the Botswana country profile are the Mining Sector, Cargo, Freight & Logistics Sector, Leather and Leather Goods Sector, The Automotive Sector, Agriculture Sector, Tourism Sector and the Health Sector. The research for the Swaziland country profile identified the Agricultural and Food industries, Manufacturing, Tourism, Textile and Transport opportunities.
- A concept and model to calculate transit and cost of delays at commercial border posts was developed. The model will be used to pilot the cross-border flow calculator.

### **Audit report matters in the previous year and how they would be addressed**

There were no significant audit report matters in the previous financial year, resulting in the Agency achieving an unqualified audit opinion and awarded a clean audit certificate by the AGSA. To improve internal controls and good corporate governance, the Agency implemented

and completed 91% of recommendations made by the Auditor-General of South Africa in the previous financial years and the remaining 9% are in progress and relate to the Board composition, composition of the Audit Committee and meeting with the Transport Appeals Tribunal and Information Technology.

In relation to the internal audit findings, 89% were completed with 11% being in progress at the end of the year under review.

Management remains resilient and committed to improving internal controls with focus on the drivers of clean administration.

### **Plans for the future to address financial challenges**

The Agency has a single revenue stream, being permit tariff, to fund its operations. While there are currently no financial challenges facing the Agency in the short term, the implementation of the tariff fee adjustment as published for public comment by the Minister of Transport will make a notable contribution towards the sustainability of the C-BRTA. The Agency has developed a financial sustainability strategy in the previous financial years and based on the strategy, concluded to pursue the levying of cross border charges on foreign vehicles. The business case on cross border charges was reviewed and finalized after consultation with various stakeholders including the Department of Transport task team members, South African National Roads Agency Limited (SANRAL) and Road Accident Fund (RAF). The consultations focused

## 4. Chief Executive Officer's Overview (cont.)

on reviewing the methodology used in determining cross-border vehicle volumes/entries as well the current cross-border charges levied by member states. The review also focused on the legal basis for the implementation of cross-border charges as well as the potential impact of cross-border charges in the country and the region.

It is envisaged that by levying cross-border charges, the country will be moving towards harmonising the regulatory framework with the rest of SADC as enshrined in the SADC Protocol on Transport Communications and Meteorology.

To ensure ongoing financial viability, the C-BRTA will continue to pursue the implementation of cross-border charges as an additional revenue stream to fund its operations.

### Events after the reporting date

With the Constitutional Court judgement of 12 May 2015 declaring the 2011 permit tariff increase invalid, the Agency raised a provision of R318 million for operator refunds in its financial books. Operators have submitted claims and have been refunded with a total of R142, 8 million by the end of March 2018. The Agency also had a liability of R37, 4 million raised resulting from the declaratory order issued against the Agency in August 2013. Some operators have claimed against this liability and amount of R20 million was still outstanding as at year end.

The application of the Prescription Act as it relate to these provision for operator claims was considered as at the end of the reporting period.

### Economic Viability

The C-BRTA is entirely self-funded from permit tariff fees to cross-border operators. The C-BRTA will continue to exercise prudent financial and cash flow management measures to mitigate significant financial risks and guarantee continued economic viability to be a going concern public entity.

### Acknowledgements

I would like to welcome the new Minister of Transport, Dr Bonginkosi Nzimande to this vibrant sector and assure the Minister of our support in moving South Africa forward.

I wish to express my sincere appreciation for the ongoing support and guidance from the Deputy Minister of Transport, umama, uSindisiwe Chikunga, Acting Director-General of Transport, Mr Mathabatha Mokonyama.

I also wish to acknowledge and appreciate the unwavering support of the South African Parliament, through the Portfolio Committee on Transport under the leadership of Mme Dikeledi Magadzi and her Committee.

The past year has been challenging for the Agency. Despite this, the C-BRTA made huge strides in achieving key strategic milestones. The results would not have

been achieved without the effort of the C-BRTA family. The management and staff have shown an enormous amount of commitment. A word of gratitude needs to be extended to the C-BRTA Board of Directors for their support and, in particular, the Chairperson, Mr Mos Ramathe.

I wish to conclude by thanking our cross-border operators for the feedback and support. We remain resolute in our quest to serve with humbleness, integrity and excellence.

In honour of a great stalwart of South Africa's liberation movement, as we commemorate the great leader of our time who would have turned 100 years in 2018, I am inspired by the words of Tata Nelson Rolihlahla Mandela which encourage us to do more for the economic emancipation of African people, 'I dream of an Africa which is in peace with itself'.

I am confident that the C-BRTA will continue to rise to the challenge of economically transforming South Africa and deliver on its African mandate to advance development through cross-border transport and trade.



**Mr SG Khumalo**  
Chief Executive Officer

Date: 30 July 2018

## 5. Statement of Responsibility and Confirmation of Accuracy for the Annual Report

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the Standards of Generally Recognised Accounting Practise (GRAP), including any interpretations, guidelines and directions issued by the Accounting Standards Board.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing, and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

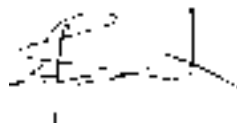
The AGSA is engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the C-BRTA for the financial year ended 31 March 2018.

Yours faithfully



**Mr SG Khumalo**  
Chief Executive Officer  
Date: 30 July 2018



**Mr Ramathe**  
Chairperson of the Board  
Date: 30 July 2018

## 6. Strategic Overview

The Cross-Border Road Transport Agency's (C-BRTA) exists to improve the flow of passengers and freight by road transport in the region; introduce regulated competition in cross-border road transport; reduce operational constraints for the cross-border road transport industry as a whole to enhance transport trade facilitation; provide oversight and monitoring functions and build industry partnerships to strategically reposition the C-BRTA. In order for the Agency to achieve its set goals, seven (7) medium term strategic objectives were adopted.

Below is a snapshot of the Agency's Vision, Mission, Core Values Strategic Goals and Objectives:

Diagram 1: C-BRTA's Vision, Mission, Core Values, Strategic Goals and Objectives







## 7. Legislative and Policy Mandates

The C-BRTA is a national public entity listed in accordance with Schedule 3A of the Public Finance Management Act, No 1 of 1999 (PFMA).

### 7.1. Constitutional Mandate

In execution of the Agency's mandate, the C-BRTA shall comply with the Constitution of the Republic of South Africa as the supreme law of this country with specific reference to the following sections:

- Section 9: Bill of Rights
- Section 41: Co-operative governance values;
- Section 195: Basic values and principles governing public administration;
- Sections 231: International agreements.

### 7.2. Cross-Border Road Transport Act

The Cross-Border Road Transport Agency (C-BRTA) is a Schedule 3A public entity in terms of the Public Finance Management Act, No 1 of 1999 (PFMA). It was established in terms of the Cross-Border Road Transport Act, 4 of 1998, as amended and places the following key

responsibilities on the Agency:

- improve the unimpeded transport flow by road of freight and passengers in the region;
- liberalise market access progressively in respect of cross-border freight road transport;
- introduce regulated competition in respect of cross-border passenger road transport
- reduce operational constraints for the cross-border road transport industry as a whole;
- enhance and strengthen the capacity of the public sector in support of its strategic planning, enabling and monitoring functions and
- to empower the cross-border road transport industry to maximise business opportunities and to regulate themselves incrementally to improve safety, security, reliability, quality and efficiency of services.

### 7.3. National Land Transport Act (NLTA), 5 OF 2009

The NLTA provides for the process of transforming and restructuring the national land transport system. In essence, it provides for the mandate of the three spheres of authority in the transport sector and confers mandate to these authorities to perform certain functions that includes regulation.

### 7.4. National Road Traffic Act (NRTA), 93 of 1996 as Amended

This Act provides for road traffic matters which shall apply uniformly throughout the Republic of South Africa. The NRTA in essence, provides for traffic regulations that govern licensing of motor vehicles, operation of motor vehicles, vehicle road worthiness, driver licensing and fitness

### 7.5. Tourism Act, 3, Of 2014

The Tourism Act provides for the development and promotion of sustainable tourism for the benefit of the republic, its residents and its visitors. The Agency has the mandate to conduct law enforcement in regard to compliance to road traffic regulations in the tourism sector.

### 7.6. Policy Mandate

Below is a table which represents Policy Mandates that the Agency is aligned to over and above the applicable legislation as listed above:

Table 1: Policy Mandates

**NATIONAL DEVELOPMENT PLAN (NDP)**

The Agency is responsible to contribute towards the achievement of the following:

**CHAPTER 7: POSITIONING SOUTH AFRICA IN THE WORLD**

Objectives:

- Intra-regional trade in Southern Africa should increase from 7 percent of trade to 25 percent of trade by 2030.
- South Africa's trade with regional neighbours should increase from 5 percent of our trade to 30 percent.

Action:

Implement a focused regional integration strategy with emphasis on: Road, rail and port infrastructure in the region.

- Reduce red tape, corruption and delays at border posts.

**CHAPTER 13: BUILDING A CAPABLE STATE**

Objectives:

- Staff at all levels has the authority, experience, competence and support they need to do their jobs.
- Relations between national, provincial and local government are improved through a more proactive approach to managing the intergovernmental system.
- Clear governance structures and stable leadership enable state-owned enterprises (SOEs) to achieve their developmental potential.

Action:

- Use assessment mechanisms such as exams, group exercises and competency tests to build confidence in recruitment systems.
- Use placements and secondments to enable staff to develop experience of working in other spheres of government.
- Take a more proactive approach to resolving coordination problems and a more long-term approach to building capacity.
- Adopt a less hierarchical approach to coordination so that routine issues can be dealt with on a day-to-day basis between mid-level officials. Use the cluster system to focus on strategic cross-cutting issues and the Presidency to bring different parties together when coordination breaks down.
- Develop public interest mandates for SOEs. Improve coordination between policy and shareholder ministries by making them jointly responsible for appointing the board. Ensure appointment processes are credible and that there is greater stability in appointments.

**CHAPTER 14: FIGHTING CORRUPTION**

Objective:

A corruption-free society, a high adherence to ethics throughout society and a government that is accountable to its people.

Action:

- An accountability framework should be developed, linking the liability of individual public servants to their responsibilities in proportion to their seniority.
- Clear rules restricting business interests of public servants should be developed.
- Corruption in the private sector is reported on and monitored by an agency similar to the Public Protector.
- Restraint-of-trade agreements for senior civil servants and politicians at all levels of government.

All corrupt officials should be made individually liable for all losses incurred as a result of their corrupt actions.



#### **SADC PROTOCOL ON TRANSPORT, COMMUNICATIONS AND METEOROLOGY**

- Develop harmonised road transport policy providing for equal treatment, non-discrimination and reciprocity.
- Liberalise market access for road freight operators.

#### **BILATERAL AGREEMENTS BETWEEN SOUTH AFRICA AND MALAWI, MOZAMBIQUE, ZAMBIA AND ZIMBABWE**

- Promote and facilitate cross-border road freight and passenger.
- Simplify existing administrative requirements: Harmonisation.
- Ensure compliance to regulations.

#### **1996 WHITE PAPER ON TRANSPORT**

Identifies the broad goal of transport, being to achieve smooth and efficient interaction that allows society and the economy to assume their preferred form and play a leadership role as a catalyst for development. The Paper also sets out the transport vision of the Republic to provide safe, reliable, effective, efficient, and fully integrated transport operations and infrastructure which will best meet the needs of freight and passenger customers among others.

#### **SACU MOU**

Provides for facilitation and maintenance of effective road transport arrangements, and in particular equitable shares in road transportation with a view to supporting trade in the Customs Union. The C-BRTA in this regard works towards a common goal of improving cross border road transport operations with a view to improving the sector.

#### **TRANS KALAHARI CORRIDOR (TKC) MOU**

Provides for promotion of effective and integrated management of the TKC. The TKC was established with a view to improve regional trade and economic development through efficient transport. Improving the efficiency of transportation is brought about by reduction of constraints and bottlenecks whilst at the same time reducing externalities, improving market access and improving productivity.

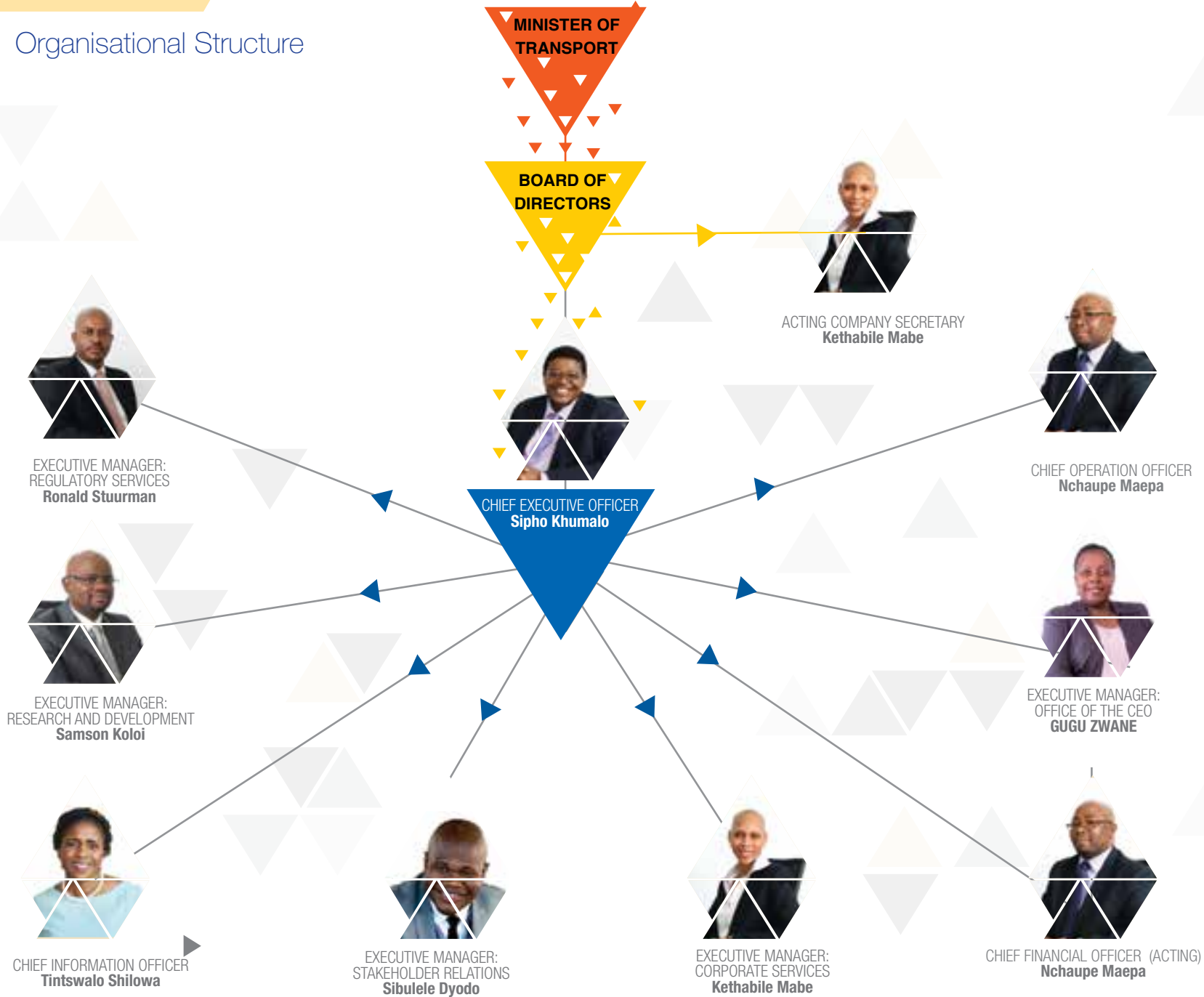
#### **INTERNATIONAL CONVENTION ON THE HARMONISATION OF FRONTIER CONTROLS OF GOODS, OF 1982,**

Designed to enhance the harmonisation and facilitation of efficient road transport movements.

#### **CONVENTION ON ROAD TRAFFIC, OF 1968**

Provides for facilitation of road traffic and increasing road safety through the adoption of uniform road traffic rules.

# 8. Organisational Structure



## 9. Board Members

### Mr Mosoeunyane Ramathe

**Chairperson of the Board**

#### Formal Qualifications

- B Com, Wits
- B Com Acc, Wits
- Chartered Accountant (SA)
- Diploma in Project Management (RAU)



### Prof Jan Havenga

**Deputy Chairperson of the Board**

#### Formal Qualifications

- Doctorate of Philosophy in Logistics Management, University of Stellenbosch
- MBL (UNISA)
- BA Hons, (UOFS)



### Ms Ignatia Sekonyela

**Board member**

#### Formal Qualifications

- Advanced Labour Law, UNISA
- Senior Management Development Programme, UP Business School
- Diploma HR, Damelin
- B A Honneurs Sielkunde, RAU
- B Cur Degree: Medunsa



### Ms Keitumetse Mahlangu

**Board member**

#### Formal Qualifications

- B.PROC, University of Zululand
- LLB, University of Natal
- MAP, Wits Business School
- Certificate in Fraud Examination, UP
- Legislative Drafting, Institute of Advanced Legal Studies, Univ. of London



### Mr Dennis Baloyi

**Board member**

#### Formal Qualifications

- M Sc (Town and Transport Planning)
- M Phil (Urban Studies)
- BA (Development Studies)



### Mr Lucky Thekiso

**Board member**

#### Formal Qualifications

- BLC, LLB, LLM (Labour Law) (UP)
- Advanced Labour Law (CE@UP)
- Legislative Drafting (CE@UP)
- Environmental Law and Compliance (UJ)



## 9. Board Members (cont.)

### Mr Moses Scott

**Board member**

#### Formal Qualifications

- Teachers Diploma, Rand Teachers College



### Mr Sipho Khumalo

**Chief Executive Officer**

#### Formal Qualifications

- Masters in Public and Development Management
- BA (Hons)
- Global Executive Development Programme, GIBS



### Mr Msondezi Futshane

**Department of Transport Representative**

#### Formal Qualifications

- B Tech in Transportation Engineering (TUT)
- Transportation Management Diploma (RAU)
- Diploma in Advanced Project Management, Executive Education
- S4 in Civil Engineering (ND), Eastern Cape Technikon



PART **B** PERFORMANCE  
INFORMATION



## 1. Auditor-General's Report: Pre-Determined Objectives

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management.

Refer to page 69 of the Auditors Report that is published as Part E: Financial Information.

## 2. Situational Analysis

Implementation of 2017/18 Annual Performance Plan was based on the reviewed 2015-2020 Strategic Plan themed Linking Africa. The theme necessitated a thorough assessment of various aspects of the service delivery environment that would enhance service delivery. Among these were resources and aims to drive the Government's Programme of Action for the Medium Term Strategic Framework (MTSF) 2014 – 2019 for economic transformation and growth.

### 2.1. Service Delivery Environment

This year marks twenty (20) years since the Agency was established in 1998. The transformation journey of the Agency saw it migrating from an entity that was just concerned with issuing of permits to providing wide range of service offerings. The focus of the Agency in the first decade of its existence was more on permits issuance and did not participate at most platforms where cross-border transport challenges were discussed. In 2010/11 financial year, the Agency adopted a Changing Gear Strategy focused on transformational projects with a view of positively impacting the industry. The Agency has since then adopted operator-centric approach to its operations with a view of meeting stakeholders' expectations thereby making a contribution to the transportation and trade.

The mid-term review that was conducted in 2016/17 steered focus of the Agency towards development and strengthening of stakeholder relations. This approach was adopted

with an understanding that it will uncover Africa's trade potential which is currently suffocated by various impediments that may improve through vibrant partnerships, hence the theme "Linking Africa". In line with that, a plan was developed to ensure successful implementation and realisation of desired outcomes.

The "Linking Africa Plan (LAP)" is an initiative for repositioning the role of transport and trade as twin partners that can be catalysts for enabling African countries to transform and diversify their economies by providing them with an incentive for industrialisation through peer influence.

The new approach adopted in the Linking-Africa strategy is meant to fuel the approach by stretching facilitation and enhancement of cross-border transportation across Africa. The approach is pivotal to addressing key challenges and delivering on the mandate of the Agency.

### 2.2. Organisational environment

Despite the migration of the law enforcement unit, the Agency still had a mandate to ensure compliance with the C-BRT Act by operators and spearhead social and economic development within the SADC region. For purposes of improving its overall performance, the Agency reviewed its structure to reposition some of its functional units. The structural review included the moving of both Industry Development unit from Stakeholder Management Division and the Profiling unit which used to be part of Road Transport Inspectorate (RTI) to Research and Development Division.

For the sake of continuing with the role of law enforcement, the Profiling Unit partially changed to focus more on the provision of intelligence thereby collaborating with the RTMC and other law enforcement agencies. The Stakeholder Management division was trimmed to solely focus on stakeholder management so as to enhance coordinated stakeholder collaboration efforts on areas of harmonization and information sharing. It was envisaged that this would enable the Agency to respond to the daily needs of cross-border operators and adopt the new approach to stakeholder management.





A 3Cs Analysis was performed during planning to assess the Agency's position with respect to its organisational set-up, mainly its understanding of concept (the Mandate), competency and commitment of staff.

There is a high level of understanding of the concept and mandate, at leadership and management levels. On-going research and fieldwork in the form of international benchmarking seeks to enhance understanding of the industry within which the Agency operates. This effort has been displayed by the changes in focus in the past seven years and improved performance thereof.

As the Agency continuously researches and broadens its articulation and implementation of its mandate, there has been improvement in terms of reviewing its structure to ensure that there is placement of people with relevant skills to achieve the set objectives and fulfil the mandate. The Agency remains committed to continue enhancing the skills of all employees to ensure the standards keep rising.

The high level of understanding of the mandate is complemented with the passion with which the work is done. Although previous assessment showed that there is need to improve organisational culture and that commitment is not the same at staff, middle-management and senior-management levels, there is certainty that the level of commitment can enable desirable results. One of the Agency's strengths is committed leadership and management, which is critical for the improvement of organizational culture and boosting of staff morale.

### 3. Key policy developments and legislative changes

There have been no major changes to relevant policies and legislation during the year under review.

## 4. Strategic Outcome Oriented Goals

The table below provides a summary of progress made towards the achievement of the four (4) strategic goals of the Agency.

**Table 2: Progress made towards the achievement of Strategic Goals**

OUR VISION : THE CHAMPION OF FREE-FLOWING INTERSTATE OPERATIONS OUR MISSION : WE SPEARHEAD THE UNIMPEDED FLOW OF INTERSTATE OPERATIONS THEREBY FACILITATING SUSTAINABLE SOCIAL AND ECONOMIC DEVELOPMENT	
STRATEGIC GOALS	PROGRESS MADE TOWARDS THE ACHIEVEMENT OF GOALS
1. Facilitate unimpeded flow of cross-border transport	<p>The achievement of this goal is made possible with the implementation of the Market Access Regulation (MAR) tool. This tool aims to manage demand and supply of the cross border passenger transport. In the year under review, the tool has been implemented on all the corridors.</p> <p>The model for the cross-border flow calculator was developed and anticipated that once fully implemented will provide the cross border stakeholders with information with respect to cost of delays at commercial border post and be used to make decisions for the investments on the cross-border improvement initiatives.</p>
2. Strategic positioning to promote integration of the African continent	<p>The Agency continues to strategically position itself in the continent through the implementation of the Stakeholder Management plan which included amongst others:</p> <ul style="list-style-type: none"> <li>• engagement on the Annual State of Cross-Border Report (ASCOR),</li> <li>• engaging member states on the implementation of the SADC protocol and Regional Agreements,</li> <li>• Industry Development Initiatives and</li> <li>• Development of country profiles.</li> </ul>





**OUR VISION : THE CHAMPION OF FREE-FLOWING INTERSTATE OPERATIONS**  
**OUR MISSION : WE SPEARHEAD THE UNIMPEDED FLOW OF INTERSTATE OPERATIONS**  
**THEREBY FACILITATING SUSTAINABLE SOCIAL AND ECONOMIC DEVELOPMENT**

STRATEGIC GOALS	PROGRESS MADE TOWARDS THE ACHIEVEMENT OF GOALS
3. Promote safe and reliable cross-border transport	<p>The Agency is conceptualising and developing an Operator Compliance Accreditation Scheme (OCAS), which seeks to transform how cross-border road transport is regulated. OCAS will once implemented connect SADC countries through a coherent and harmonised regulatory regime separating compliant from non-compliant operators based on a predetermined risk profiling system thereby promoting safe and reliable transport.</p> <p>To that extent a National Feasibility assessment was completed and Regulations have been drafted for further engagements with the Department of Transport.</p>
4. Enhance organisational performance in order to improve sustainability	<p>The Agency has achieved great strides in enhancing organisational performance by improving its service offering to the operators. To that extent, the Agency issues temporary permits at an average of 98% within the predetermined timelines. The long term permits are processed within the prescribed governance processes.</p> <p>The levying of cross-border charges on foreign vehicles is still being pursued through continuous engagements with the Department of Transport.</p>

## 5. Performance Information by Programme

For 2017/18 financial year, the Agency achieved 92.31% against the planned targets. This implies that twelve (12) out of thirteen (13) indicators were achieved and further signifies an improvement of 26.31% from the prior year's performance of 67.67% and a breakthrough given an average of 67% over the previous four years.

Below is a diagram that summarises annual performance for a period of 5 years:

Diagram 2: C-BRTA's Annual Performance for a 5 year period



The APP of the C-BRTA is driven through five (5) main programmes as listed below:

- Programme 1: Administration
- Programme 2: Regulatory Services
- Programme 3: Profiling Services
- Programme 4: Stakeholder Management
- Programme 5: Research and Advisory Services

These programme areas are allocated key performance indicators that are intended to measure progress towards achievement of related strategic objectives as well as to address specific mandates as outlined in the C-BRT Act.

The table below provides a summary of performance per each key performance indicator:

**Table 3: Performance Summary - Key performance indicators with achieved targets**

NO.	KEY PERFORMANCE INDICATOR	2017/18 ANNUAL TARGET	ACTUAL ACHIEVEMENT
1	Developed and implemented new revenue streams as per financial sustainability strategy	Consultation and development of legislative proposal on cross border charges	Target not achieved.  The business case on levying of cross-border charges on foreign vehicles was consulted with various stakeholders amongst others being the DoT officials and presented at the Road Funding Workshop.  The updated business case will be presented to the DoT EXCO for endorsement in th next financial year.
2	Developed and implemented new cross-border management system	Developed Enterprise Architecture for cross-border Management system	Target achieved.  The Enterprise Architecture and the Roadmap were completed and approved during the year. The business case for the Integrated Cross Border Management System was also considered and approved by EXCO.
3	Developed Permit fee Regulations	Amended Draft Permit Fee Regulations	Target achieved.  Permit fee regulations were amended and submitted to DoT for further publishing. The regulations were published by DoT for public comments on the 28th March 2018.
4	Implemented scientific tool used by the Regulatory Committee to manage supply and demand of cross-border passenger transport	Fully implemented scientific tool	Target achieved.  The Regulatory Committee was work shopped on the refined model parameters and subsequently approved by the Executive Committee. The Regulatory Committee had since tested the tool by using it as reference during the regulatory hearings.
5	Developed and Implemented Operator Compliance Accreditation Scheme (OCAS)	Board approved draft legislation	Target achieved.  The legislative proposal for the implementation of OCAS was drafted and approved by the Board. Furthermore, the presentation was made to DoTs EXCO and submission made to COTO and MinMEC.
6	Percentage of temporary permits issued within pre-determined turnaround times	90% of compliant applications for temporary permits processed and permits issued in front office within 1 day.  90% of compliant applications for temporary permits processed and permits issued in remote office within 2 days.	Target achieved.  99.42% and 98.15% of compliant temporary permits were processed and issued in front office within 1 day and remote office within 2 days respectively.

NO.	KEY PERFORMANCE INDICATOR	2017/18 ANNUAL TARGET	ACTUAL ACHIEVEMENT
7	Number of operator and corridor profiling reports for decision making	4 Section 39 reports submitted to the Regulatory Committee for decision making	Target achieved. 4 Section 39 reports submitted to the Regulatory Committee for decision making
8	Developed and implemented stakeholder management plan	Board approved Stakeholder Management Plan Hosted O.R. Tambo International Road Transport Indaba	Target achieved. The Stakeholder Management Plan was developed and approved by the Board. The Agency hosted an O.R Tambo International Road Transport Indaba as part of its October Transport Month activities. Inputs from the Indaba were considered in the development of the Linking Africa Plan.
9	Facilitated the implementation of the SADC protocol and regional agreements	Work shopped SADC protocol and regional agreement	Target achieved. The SADC workshop was held during the October Transport Month. A Transport Forum to fast-track implementation of the SADC Protocol was agreed upon by the workshop participants. The establishment of the Forum has since been approved by the SADC Ministers of Transport.
10	Developed and implemented industry development strategy	Board approved Industry Development Strategy submitted to Minister	Target achieved. The Board approved the Industry Development Strategy which was submitted to the Minister of Transport. The draft cross border road transport regulations were amended and submitted to EXCO for noting.
11	Number of Annual State of Cross-border operations reports (ASCBOR) submitted to the Minister and other relevant stakeholders	1 ASCBOR report submitted to the Minister and other stakeholders	Target achieved. The Board approved the ASCBOR report which was submitted to the DoT and published on the C-BRTA website for all other stakeholders.
12	Number of country profiles developed	2 country (Swaziland and Botswana) profiles developed	Target achieved. Country profiles for Swaziland and Botswana were developed during the financial year.
13	Developed model to calculate transit and cost of delays at commercial border posts	Cross-border Flow calculator Concept document	Target achieved. The Cross Border Flow calculator concept document was approved by the Board.

## 5.1 PROGRAMME 1: ADMINISTRATION

### 5.1.1 Introduction

The purpose of this programme is to ensure effective leadership and administrative support to the C-BRTA on the delivery of its set objectives. This Programme comprises of three different line functions, namely; Corporate Services, Information and Communication Technology, as well as Finance and Supply Chain Management. Each one has a specific role as follows:

- **Corporate Services** provide professional advice and support that includes human resources, legal services and facilities management in order to enable

and enhance business delivery. These services include developing and adopting strategies that are responsive to the business strategy and strategic tasks confronting the Agency.

- **Finance and SCM** provides financial and supply chain management to the Agency while ensuring compliance with statutory requirements and best practice models.
- **Information and Communication Technology (ICT)** provides information and communication technology support to the Agency while ensuring compliance with statutory requirements and best practice models.

This programme has the following strategic objectives:

- To ensure the financial viability and sustainability of the C-BRTA
- To improve efficiency in business operations
- To introduce and implement regulated competition of cross border movements

### 5.1.2 Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievement

The table below presents Programme 1 strategic objectives, the key performance indicators, planned annual targets, actual performance and deviation thereof:

**Table 4: Administration Performance against Pre-determined Objectives**

STRATEGIC OBJECTIVE: TO ENSURE THE FINANCIAL VIABILITY AND SUSTAINABILITY OF THE C-BRTA TO IMPROVE EFFICIENCY IN BUSINESS OPERATIONS TO INTRODUCE AN IMPLEMENT REGULATED COMPETITION OF CROSS BORDER MOVEMENTS						
KPI NO.	KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/18	COMMENT ON DEVIATION
1.1.	Developed and implemented new revenue streams as per financial sustainability strategy	<p>Target not achieved</p> <p>Meetings between the delegations of the Agency and the Department took place during the financial year and a task team established to execute the project.</p> <p>Consultation process with the Department on-going.</p>	Consultation and development of legislative proposal on cross border charges	<p>Target not achieved.</p> <p>The business case for Cross-Border charges was reviewed by the Task Team with officials from DoT, SANRAL and RAF. A presentation on the levying of cross border charges on foreign vehicles at the Road Funding Workshop was shared to be considered as a funding option for road infrastructure.</p> <p>The final business case is awaiting endorsement by the DoT EXCO.</p>	<p>The legislative proposal can only take place after consultations with various affected stakeholders (e.g. DTI, DIRCO, etc.) have taken place.</p> <p>These consultations will only take place after approval of the business case by DoT.</p>	The drafting of the necessary legislation proposal will follow after DoT EXCO has approved the business case.



**STRATEGIC OBJECTIVE: TO ENSURE THE FINANCIAL VIABILITY AND SUSTAINABILITY OF THE C-BRTA  
TO IMPROVE EFFICIENCY IN BUSINESS OPERATIONS  
TO INTRODUCE AN IMPLEMENT REGULATED COMPETITION OF CROSS BORDER MOVEMENTS**

KPI NO.	KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/18	COMMENT ON DEVIATION
1.2.	Developed and implemented new cross-border management system	None, new indicator	Developed Enterprise Architecture for cross-border management system	Target achieved.  The Enterprise Architecture and the Roadmap were completed and approved.  The business case for the Integrated Cross Border Management System was also submitted and approved by EXCO.	None, target achieved.	None, target achieved
1.3.	Developed permit fee regulations	None, new indicator	Amended Draft Permit Fee Regulations	Target achieved.  Permit tariff determination model was developed and informed the amended tariff regulations that were submitted to DoT for further publishing.	None, target achieved	None, target achieved

### 5.1.2.1 Narrative summary on programme performance information

#### 5.1.2.1.1 Developed and implemented new revenue streams as per financial sustainability strategy:

The planned target for the year under review was not achieved, however efforts were made to ensure that the levying of cross-border charges on foreign vehicles is implemented so as to normalise the cost of doing business between South African and foreign operators.

A business case on cross border charges was finalised and reviewed by the Task Team inclusive of officials from SANRAL, RAF and DoT. This was done to ensure that the business case on the levying of cross border

charges takes into consideration all applicable road transport regulations, policies and other industry specific information.

A presentation to the Road Funding Workshop was conducted where the levying of cross border charges on foreign vehicles was provided as an option to fund road infrastructure.

The updated business case is awaiting presentation to the DoT EXCO for approval. Further consultations with various affected stakeholders (e.g. DHA, DTI, DIRCO, Department of Tourism, and National Treasury) and the drafting of the necessary legislation proposal will follow after DoT EXCO has approved the business case.

#### 5.1.2.1.2 Developed and implemented new cross-border management system

An Enterprise Architecture for cross-border management system was developed as planned during the financial year. This achievement makes a significant milestone towards improvement in the efficiency of C-BRTA business system as the key outputs of this exercise include:

- Architecture models for the business, application, data/information, technology, integration and security layers.
- The Digital Operator Services Architecture (DOSA) vision based on the Agency's strategic goals.
- An IT Roadmap for the implementation of the DOSA vision and related migration objectives.



### 5.1.2.1.3 Developed Permit Fee Regulations

The new permit tariff determination model was developed and the permit fee regulations were amended and submitted to DoT for further publishing. Whilst this initiative was identified as part of the mechanisms that will assist in implementing regulated competition of cross border movements, it simultaneously serves as an approach to ensuring the financial viability and sustainability of the C-BRTA.

### 5.1.3. Other Programme Priorities

#### 5.1.3.1 Corporate Services

In its quest of creating a conducive working environment for all employees and building a culture of high performance, Corporate services continues to ensure that the identified strategic objectives' milestones for each quarter in the operation plan are achieved.

The key highlights of the unit include the launch of the first C-BRTA Annual Performance Awards as well as the development and review of some HR draft policies, that is, the Performance Management Policy, Promotion Policy and the Bursary Policy.

#### 5.1.6. Linking performance to budgets

Table 5: Expenditure: Human Resources Management

PROGRAMME	2017/2018			2016/2017		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	130 281	99 324	31 031	102 120	85 613	16 508

While the programme did not achieve one of its targets, the underspending on the budget is largely due to cost containment measures implemented to generate surpluses to defray operator claims.



#### 5.1.3.2 Information and Technology (IT) division

The Agency's IT infrastructure was stabilised by the successful modernisation and refresh of backend infrastructure systems, as well as the implementation of the Disaster Recovery services solution, assuring the availability and integrity of the C-BRTA's IT services and associated data.

Furthermore, the IT division put measures and controls in place to effectively manage and mitigate IT operational risks, as well as to ensure the operational efficiency and reliability of the Agency's IT systems and services.



#### 5.1.3.3 Finance and Supply Chain Management unit

Through cost containment, the Agency has been able to generate savings on expenditure to off-set the under collection of targeted permit revenue. In pursuit of clean administration, the Agency has put measures in place to ensure that supply chain transactions are in compliance with the relevant prescripts and that supplier payments are being made within a prescribed period of 30 days of receipt of invoice or resolution of disputes.

#### 5.1.4. Strategy to overcome areas of under performance

Efforts are taken to ensure the approval of the business case on cross border charges by DoT EXCO. In addition to that, a stakeholder consultation plan was put in place to fast-track consultations after approval is obtained.

#### 5.1.5. Changes to planned targets

There were no changes made to the planned targets for this programme.





## 5.2 PROGRAMME 2: REGULATORY SERVICES

### 5.2.1. Introduction

The Regulatory Services division is responsible for regulating access to the cross-border road transport market, freight and passengers, through a permit administration regime. The regulation is geared towards improvement and promotion of socio-economic

development and regional integration through progressive market liberalisation. The division is also tasked to ensure compliance to the Agency's empowering and other related legislation, as well as the provisions of the bi- and multi-lateral road transport agreements.

This programme has the following strategic objectives:

- To introduce and implement regulated competition of cross-border movements,

- To improve compliance with road transport legislation,
- To improve efficiencies in business operations.

### 5.2.2. Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievement

The table below presents Programme 2 strategic objectives, the key performance indicators, planned annual targets, actual performance and deviation thereof:

**Table 6: Regulatory Performance against Pre-determined Objectives**

STRATEGIC OBJECTIVE: TO INTRODUCE AND IMPLEMENT REGULATED COMPETITION OF CROSS-BORDER MOVEMENTS; TO IMPROVE COMPLIANCE WITH ROAD TRANSPORT LEGISLATION; TO IMPROVE EFFICIENCIES IN BUSINESS OPERATIONS						
KPI NO.	KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/18	COMMENT ON DEVIATION
2.1.	Implemented scientific tool used by the Regulatory Committee to manage supply and demand of cross-border passenger transport	The MAR model was piloted on the Zimbabwe and Malawi routes for a period of 6 months during the financial year. A post pilot assessment for Zimbabwe was finalised. One for Malawi is yet to be finalised subject to engagements with the Ministry of Transport.	Fully implemented scientific tool	Target achieved.  The Executive Committee considered and approved the refined model parameters. The Regulatory Committee had since tested the tool by using it as reference during the regulatory hearings.	None as the target was achieved.	None as there was no deviation
2.2.	Developed and Implemented Operator Compliance Accreditation Scheme (OCAS)	Board approved National Feasibility report	Board approved National Feasibility report	Target achieved.  The Board approved the draft legislative proposal and it was submitted to DoT.	None as the target was achieved.	None as the target was achieved.



**STRATEGIC OBJECTIVE: TO INTRODUCE AND IMPLEMENT REGULATED COMPETITION OF CROSS-BORDER MOVEMENTS;  
TO IMPROVE COMPLIANCE WITH ROAD TRANSPORT LEGISLATION;  
TO IMPROVE EFFICIENCIES IN BUSINESS OPERATIONS**

KPI NO.	KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/18	COMMENT ON DEVIATION
2.3.	Percentage of temporary permits issued within pre-determined turnaround times	None, new indicator	90% of compliant applications for temporary permits processed and permits issued in front office within 1 day.  90% of compliant applications for temporary permits processed and permits issued in remote office within 2 days	Target achieved.  99.42% and 98.15% of compliant temporary permits were processed and issued in front office within 1 day and remote office within 2 days respectively.	The overachievement of the target was due to a more efficient way of dealing with the applications and express lines were introduced to deal with single applications. Bulk applications were mainly processed by the remote office and this has helped with the flow in the front office where the majority of applications are received. There was also no downtime on the CBRTS permit system.	None required

**5.2.2.1. Narrative summary of Programme Performance**

**5.2.2.1.1. Implemented scientific tool used by the Regulatory Committee to manage supply and demand of cross border passenger transport**

In an effort to meet its objective of introducing and implementing regulated competition of cross border movements, the Agency targeted to fully implement the Market Access Regulation (MAR) tool during 2017/18 and that was achieved. This project dates back from the 2012/13 financial whereby research was conducted to look into passenger and cross border transport patterns along the corridors leading to the border. The tool was eventually developed, piloted in 2015/16 and its impact assessed in

the previous financial year. The focus in 2017/18 was mainly on conducting a full implementation of the tool.

In light of that, the programme set out to refine the tool prior to implementation. The model was therefore tabled at a Regulatory Committee workshop in June 2017, whereby some proposals on the refinement of the model were made. The Executive Committee considered and approved the refined model parameters and that enabled use of the model to inform decision making by the Regulatory Services division. The Regulatory Committee had since tested the tool by using it as reference during the regulatory hearings. This tool proves to be also relevant to the Agency's role in conflicts resolutions in the cross border passenger transport operations. Application of

the tool has also demonstrated its potential to finally bring to end the crisis of supply-demand imbalances.

**5.2.2.1.2. Operator Compliance Accreditation Scheme (OCAS)**

OCAS is one of the projects that was initiated for purposes of enhancing regulatory efficiency, compliance to road transport regulations, road safety, and unimpeded flow of cross-border road transport and also to reduce operational constraints faced by cross-border road transport operators. There is a lot of research that was conducted in the past few years that enabled the finalisation of the design framework. For 2017/18, focus was on developing model legislative framework for implementation of the scheme and show-casing the benefits of implementing the



project to key decision makers, which is the Committee of Transport Officials (COTO), and the MINMEC. The scheme was presented to DoT EXCO and submissions were made to COTO and MinMEC. Inputs received from various consultations were considered during the review of the legislative proposal for the scheme which was completed and approved by the Board. A national stakeholder workshop was also held where stakeholders agreed to establish a national steering committee to oversee implementation of the scheme.

Successful implementation of OCAS will not only improve regulatory efficiency and compliance by operators with road transport legislation, but will ensure the Agency succeeds in the facilitation of unimpeded flow of cross-border transport, reduction of operational constraints facing cross-border road transport operators, improve road safety and overall road transport system performance in support of cross-border trade, socio-economic development and regional integration.

#### 5.2.2.1.3. Percentage of temporary permits issued within pre-determined turnaround times

The Agency identified the percentage of temporary permits issued within pre-determined turnaround times as a very good indicator to assess and demonstrate its efficiency in permit processing. The target set for the year under review was to have 90% of compliant applications for temporary permits processed and permits issued in the front office within one day, whilst the same percentage would be achieved for permits issued in the remote office within two days. The average percentage of temporary permits processed was 99.92% during 2017/18.

This initiative also proved to be very resourceful in assisting the identification of bottlenecks that often compromises the turn-around times thereby pointing at areas that require improvement. The need for reconfiguration of the CBRTS was identified as one of the exercises that would enhance the turn-around time. The reconfiguration of the CBRTS Turnaround Report functionality was since tested, assessed and implemented in order to ensure that the turnaround time of permits issued is monitored to improve services rendered to our operators. This successfully boosts achievement of the Agency's objective of improving efficiencies in business operations.

#### 5.2.3. Other Programme Priorities

Critical to the achievement of objectives of introducing and implementing regulated competition of cross border movements as well as ensuring the financial viability and sustainability of the C-BRTA, is for the Agency to record and understand the implication of numbers. This is accomplished through the primary function of the Regulatory Division, which is permit issuance. Part of the daily operations in the division entails maintaining a database from which the Agency draws numbers that tells a story with regard to cross border movements and financial implications. The function of permit issuance is broad as it further entails application referrals for concurrence, licensing operations, review of error rates and provides support to the Regulatory Committee.

The Agency keeps various statistics which are also vital for purposes of business improvement. The statistics presented here are a summary the categories of permits

issued by the Agency, these are goods permits statistics, taxi passenger permit statistics, bus passenger statistics and tourist permit statistics. In total, 91 629 cross-border permits were issued to facilitate the movement of goods and passengers in the region, recording a 20.5% increase against the targeted 76 000 permits.

The statistics on permits issued during 2017/18 are as follows:

#### 5.2.3.1. Goods permits

Permits issued for freight carriers decreased by 2.0% during the year under review, down from 65 000 to 63 695. Hereto follows a statistical overview of the freight permits issued per country.

Table 7: Goods Permit Statistics

COUNTRY	2017/18	2016/17	% MOVEMENT
Angola	167	144	15.9%
Botswana	8 080	8 267	(2.3)%
Democratic Republic of Congo	5 528	4 701	17.6%
Lesotho	3 198	3 545	(9.8)%
Malawi	2 607	2 957	(11.8)%
Mozambique	9 230	9 709	(4.9)%
Namibia	5 630	6 119	(8.0)%
Swaziland	5 046	4 956	1.8%
Zambia	12 616	13 044	(3.3)%
Zimbabwe	11 539	11 511	0.2%
Cabotage	54	47	14.9%
<b>TOTAL</b>	<b>63 695</b>	<b>65 000</b>	<b>(2.0)%</b>



### 5.2.3.2. Taxi Passenger Permit Statistics

Permits issued for taxi operations increased by 45.5% during the year under review, up from 15 465 to 22 500. Hereto follows a statistical overview of the taxi permits issued per country.

**Table 8: Taxi Passenger Permit Statistics**

COUNTRY	2017/18	2016/17	% MOVEMENT
Botswana	637	640	(0.5)%
Democratic Republic of Congo	04	03	33.3%
Lesotho	1 258	1 049	19.9%
Malawi	56	57	(1.7)%
Mozambique	9461	6 678	41.7%
Namibia	206	124	66.1%
Swaziland	1222	759	61.0%
Zambia	83	34	144.1%
Zimbabwe	9 573	6 121	56.4%
<b>TOTAL</b>	<b>22 500</b>	<b>15 465</b>	<b>45.5%</b>

### 5.2.3.3. Bus Passengers Permit Statistics

Permits issued for bus operations increased by 28.3% during the year under review, up from 2 011 to 2 581. Hereto follows a statistical overview of the bus permits issued per country.

**Table 9: Bus Passengers Permit Statistics**

COUNTRY	2017/18	2016/17	% MOVEMENT
Botswana	156	133	17.3%
Democratic Republic of Congo	13	07	85.7%
Lesotho	251	195	28.7%
Malawi	168	191	(12.0)%
Mozambique	310	219	41.5%
Namibia	64	31	106.4%
Swaziland	167	41	307.3%
Zambia	55	22	150.0%
Zimbabwe	1 397	1 172	19.2%
<b>TOTAL</b>	<b>2 581</b>	<b>2 011</b>	<b>28.3%</b>

### 5.2.3.3. Tourist Permits Statistics

Permits issued to tourist operations increased/decreased by 14.9% during the year under review, up from 2 482 to 2 853. Hereto follows a statistical overview of the tourist permits issued for the region:

**Table 10: Tourist Permit Statistics**

COUNTRY	2017/18	2016/17	% MOVEMENT
Regional	2 793	2 455	13.7%
Cabotage	60	27	122.2%
<b>TOTAL</b>	<b>2 853</b>	<b>2 482</b>	<b>14.9%</b>

### 5.2.4. Strategy to overcome areas of under performance

The programme achieved all planned targets for the year.

### 5.2.5. Changes to planned targets

There were no changes made to the planned targets for this programme.

### 5.2.6. Linking performance to budgets

**Table 11: Expenditure: Regulatory Services**

PROGRAMME	2017/2018			2016/2017		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
Regulatory services	23 901	16 086	7 815	22 162	16 307	5 854

The programme achieved its targets within the budgeted allocation and the underspending is mainly attributable to the implementation of cost containment measures to generate surpluses to service the operator claims



## 5.3 Programme 3: Profiling Services

### 5.3.1. Introduction

The purpose of this programme, is to ensure compliance by operators with all cross border road transport legislation and to the SADC Protocol. The strategic intent of the function is enhancing the safety of freight and passengers in the Southern African Region through compliance with relevant laws and regulations. The function entails gathering of intelligence that is used for evidence-based decision making and developing law enforcement standards benchmarks.

The Profiling unit collects information through vehicle inspections, vehicle prosecutions, passenger lists, consignment notes and other information gathering approaches with the objective of creating law enforcement business intelligence. Intelligence is also generated from statistics obtained from sources such as law enforcement and profiling operator behaviour, route analysis and traffic flows.

This information is used by the Regulatory Committee to make informed decisions in permits allocation and the Operator Relations in carrying out conflict related investigations. In this manner, the unit provides timely,

accurate and relevant support to management and the Regulatory Committee.

This programme has the following strategic objective:

- To improve compliance with road transport legislation

### 5.3.2. Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievement

The table below presents Programme 3 strategic objectives, the key performance indicators, planned annual targets, actual performance and deviation thereof:

**Table 12: Profiling Services Performance against Pre-determined Objectives**

STRATEGIC OBJECTIVE: TO INTRODUCE AND IMPLEMENT REGULATED COMPETITION OF CROSS-BORDER MOVEMENTS; TO IMPROVE COMPLIANCE WITH ROAD TRANSPORT LEGISLATION; TO IMPROVE EFFICIENCIES IN BUSINESS OPERATIONS						
KPI NO.	KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/18	COMMENT ON DEVIATION
3.1.	Number of operator and corridor profiling reports for decision making	Target achieved  4 section 39 (2) Law enforcement reports have been noted during the financial year.	4 Section 39 reports submitted to the Regulatory Committee for decision making	Target achieved.  4 Section 39 reports submitted to the Regulatory Committee for decision making	None as the target was achieved	None as there was no deviation

#### 5.3.2.1. Narrative summary of programme performance information

##### 5.3.2.1.1. Number of operator and corridor profiling reports for decision making

For the year under review, four Section 39 reports were successfully compiled as planned. This report is developed in line with Section 39 of the C-BRT Act. It contains information related to expired permits and returned permits per vehicle type, per conveyance type, per duration and per destination. In addition to that, the report also has nature of offences detected during inspections, processing statistics and analysis of operator behaviour. This report does not only boost compliance levels to improve on road safety but contributes meaningfully towards implementation of regulated competition as pertaining to cross border movements. It is used as a reference by the Regulatory Committee as they make decisions related to permit issuance.



### 5.3.3. Other Programme Priorities

In addition to the targets captured in the APP, this programme developed law enforcement profiles of permit applicants for Regulatory Committee Hearings. The Agency conducted surveys to identify illegal cross-border operations. Different forms of illegal operations were identified. These includes cases whereby vehicles that have been issued cross-border permits were found to be using non-designated ranking facilities, and this intelligence was used to organise joint law enforcement operations with the Road Traffic Management Corporation (RTMC) and the Johannesburg Metropolitan Police Department.

Joint Law Enforcement Operations - in order to ensure compliance with road transport and traffic legislation, the Agency organised or participated in joint law enforcement operations with other authorities. Some of the operations that were conducted are the Trans Kalahari Corridor operation outside Jwaneng in Botswana; two operations in Hillbrow; two operations in Musina; and two operations in Johannesburg.

Shared intelligence on illegal cross border operations to ensure compliance - During the quarter under review, route analysis was conducted in the following areas Hillbrow; Powerhouse; Gauteng (West Rand); North West (Rustenburg - Marikana region); and Polokwane.

Furthermore, two (2) intelligence based Joint Law enforcement operations were attended in Polokwane and Johannesburg. Profiles of operators were conducted through desktop CBRTS analysis and inspections audits.

### 5.3.4. Strategy to overcome areas of under performance

The programme achieved target set for 2017/18

### 5.3.5. Changes to planned targets

There were no changes made to the planned targets for this programme.

### 5.3.6. Linking performance to budgets

Table 13: Expenditure: Profiling Services

PROGRAMME	2017/2018			2016/2017		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
Profiling Services	30 986	23 503	7 483	22 547	11 729	10 817

The programme achieved its targets within the budgeted allocation and the underspending is mainly attributable to the implementation of cost containment measures to generate surpluses to service the operator claims





## 5.4 Programme 4: Stakeholder Management

### 5.4.1. Introduction

This Programme ensures that consultations and partnerships with key role players within South Africa and SADC are developed to enhance regional social integration and economic development. Its primary purpose is to collaborate with both the primary and secondary stakeholders within the industry with the aim of encouraging sectoral transformation especially on freight transportation.

The Programme facilitates regional integration through a structured campaign that seeks to influence the African agenda for change. The core business is centred on stakeholder management which is based on the fact that change can be achieved through peer influence.

This programme has the following strategic objectives:

- To establish and sustain strategic partnerships with stakeholders so as to enable the Agency to achieve its objectives

- To proactively promote transformation and development of the cross-border industry

### 5.4.2. Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievement

The table below presents Programme 4 strategic objectives, the key performance indicators, planned annual targets, actual performance and deviation thereof:

**Table 14: Stakeholder Management Performance against Pre-determined Objectives**

STRATEGIC OBJECTIVE: TO ESTABLISH AND SUSTAIN STRATEGIC PARTNERSHIPS WITH STAKEHOLDERS SO AS TO ENABLE THE AGENCY TO ACHIEVE ITS OBJECTIVES; TO PROACTIVELY PROMOTE TRANSFORMATION AND DEVELOPMENT OF THE CROSS - BORDER INDUSTRY						
KPI NO.	KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/18	COMMENT ON DEVIATION
4.1.	Developed and implemented stakeholder management plan	None, new indicator	Board approved Stakeholder Management Plan  Hosted O.R.Tambo International Road Transport Indaba	Target achieved.  The Stakeholder Management Plan was developed and approved by the Board  The Agency hosted an O.R Tambo International Road Transport Indaba as part of its October Transport Month activities. Inputs from the indaba were considered in the development of the Linking Africa Plan.	None, target achieved	None, target achieved
4.2.	Facilitated the implementation of the SADC protocol and regional agreements	None, new indicator	Workshopped SADC protocol and regional agreement	Target achieved.  The SADC workshop was held during the October Transport Month. A Transport Forum to fastrack implementation of the SADC Protocol.	None, target achieved	None, target achieved



**STRATEGIC OBJECTIVE: TO ESTABLISH AND SUSTAIN STRATEGIC PARTNERSHIPS WITH STAKEHOLDERS SO AS TO ENABLE THE AGENCY TO ACHIEVE ITS OBJECTIVES;  
TO PROACTIVELY PROMOTE TRANSFORMATION AND DEVELOPMENT OF THE CROSS - BORDER INDUSTRY**

KPI NO.	KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/18	COMMENT ON DEVIATION
4.3.	Developed and implemented Industry development strategy	None, new indicator	Board approved Industry Development Strategy submitted to the Minister	Target achieved  The Board approved the Industry Development Strategy which was submitted to the Minister of Transport. The draft cross border road transport regulations were amended and submitted to EXCO for noting.	None, target achieved	None, target achieved

**5.4.2.1 Narrative summary of programme performance information**

**5.4.2.1.1. Developed and implemented Stakeholder Management Plan**

C-BRTA's business success depends on the number and levels of stakeholders that it interacts, keeps and maintains excellent working relations with its partners in both private and public sectors. As one of the Agency's goals is to be strategically positioned to promote integration of the African continent, a decision to adopt a robust approach to stakeholder management was taken during the strategic review in 2016/17.

The achieved 2017/18 targets of developing a Stakeholder Management Plan and hosting of the O.R. Tambo International Road Transport Indaba, were basically the onset of this initiative. These targets were intended to pave a way for the new approach and smooth implementation of the Linking Africa Plan (LAP). It is envisaged that the plan will boost sharing of information,



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mapping of identified stakeholders as well as to guide the Agency on how best to engage and build working relationships with identified stakeholders.

The C-BRTA held its first seminar to engage stakeholders on the content of the ASCBOR and to get buy in on the proposed interventions and action plans on addressing identified impediments. The Seminar was held in Durban, South Africa, from 29 to 31 May 2017. The commitments flowing from the Seminar were:

- The implementation of a monitoring and evaluation tool to track various programs at a regional level, the tool should also be able to monitor the progress of the SADC protocol and other regional agreements.
- Development of key parameters that will measure corridor performance going forward



Later in year, the Indaba was successfully hosted in Pretoria by the Agency in partnership with the Department of Transport (South Africa), with the support of the Southern African Development Community (SADC) Secretariat. It was attended by many government and regulatory stakeholders from 12 countries in Southern and Eastern African region, cross border road transport operators, donor and development partners, and academia and industry experts.

The theme of the Indaba was 'Linking Africa Plan' and was conducted through a series of Plenary sessions focusing on the state of trade and transport sector in Africa, challenges hindering seamless trade and transport movements in Africa, the development of the Linking Africa Plan; and three technical Streams which focused on Road Transport Regulation, Trade and Transport, and Infrastructure and Intelligent Transport Systems. The delegates recommended about twenty (20) interventions that must be included in the Linking Africa Plan in line with outcomes of the deliberations. The recommendations are outlined in the report.









The Stakeholder Management Plan that was developed in 2017/18 was not the first plan intended for stakeholder engagement. It replaces the Industry Partnership Development Plan (IPDP) that was implemented since 2014/15. As a result, part of the plan is currently being implemented through border post meetings including inter-border meetings, SADC forum meeting(s), and stakeholder bilateral engagements, consultation meetings with operators, operator forums and Border Management Agency meetings.

Stakeholders that were engaged on the development of the plan appreciated the fact that it will assist in addressing cross cutting matters within the three spheres of government and therefore improve the flow of cross-border road transport from the Republic of South Africa (RSA) into and within the SADC Region. This in turn, will immensely contribute to economic growth across the region.

#### 5.4.2.1.2. Facilitated the implementation of the SADC protocol and regional agreements

The purpose for this indicator is to ensure that all the applicable agreements entered into with other counterparts are properly implemented and monitored. The main target in the previous year was to host a workshop on the SADC protocol and regional agreement in collaboration with SADC Secretariat and DoT. The workshop was aimed at reviewing the implementation of road transport provisions of Chapters 5 and 6 of the SADC Protocol on Transport, Communications and Meteorology (PTCM, or SADC Protocol), and provisions of the bilateral Cross-Border Road Transport Agreements.



The highlight of the Workshop was the resolution to establish a Multilateral Cross Border Regulators Forum. In addition to that, a review of bilateral cross-border road transport agreements and drafting of one standard agreement was done and the standard bilateral cross-border road transport agreement was finalised.

Draft bilateral agreements for Angola, Botswana, Tanzania, Namibia and Swaziland were compiled and at the time of reporting, the draft bilateral agreements were submitted to the Department of Transport for final review. It is envisaged that the draft will also be useful in concluding bilateral cross-border road transport agreements with the respective countries. These agreements are expected to make a significant contribution towards facilitating implementation of the SADC Protocol and ultimately unimpeded cross-border movements.

#### 5.4.2.1.3. Developed and implemented Industry Development Strategy

As part of the efforts that are channelled towards promoting transformation and development of the cross-border industry,



the Agency targeted to develop an industry development strategy in 2017/18. The Industry Development Strategy was drafted with an aim of guiding interventions that will add value to the cross-border road transport industry and enhance transformation. This initiative had added benefits like identifying industry challenges, areas of development, stakeholders and development of interventions to address the identified challenges.

The Strategy is intended to drive economic transformation in the cross-border road transport industry. This will ensure that the demographics are representative of the South African public and that previously disadvantaged individuals acquire a share of the market in order to participate in the business. The Board approved industry developed strategy was submitted to the Minister of Transport. Amendment of the current regulations was identified as an enabler and hence targeted for 2017/18 as well. The amendment of draft cross border road transport Regulations was successfully completed and it was subsequently submitted to EXCO for noting.

## Cross-Border Tour Operator Road Shows



### 5.4.3. Other Programme Priorities

As already highlighted above, this programme is responsible for the entire Agency's stakeholder network. During 2017/18, a lot of activities were conducted. These activities were conducted with a view to strengthen strategic partnerships so as to enable the Agency to achieve its mandate. Some of the highlights include the successful hosting of the National Stakeholder Consultative Forum which held in March and the launching of the Tour Operators' Forum. The National Stakeholder Consultative Forum was in the past a forum of national departments, the newly constituted National Stakeholder Consultative Forum is now made up of all three (3) spheres of government as a platform of government to resolve cross-border road transport constraints. Furthermore, the objective of the Tour Operators' Forum indicated above is mainly to maximise visibility of the Agency within the tourism industry and attract a new entrance to the not so visible tour operations business opportunity.

An improvement has been noted with regards to engagements between the Agency and the Municipalities.

The Municipal Forum, accommodates Municipalities within the nine (9) Provinces in the Republic of South Africa where cross-border operations are taking place and those whom the Agency has received applications with the intention to resume operations. The focus of this forum is mainly on resolving challenges experienced by Municipalities and shaping a strategic multi-stakeholder influence in order to improve efficiencies in the cross-border road transport services and to promote seamless cross-border road transport. There is also a focus on enhancing industry development through direct participation in industry related initiatives and implementation of initiatives aimed at enhancing industry development.

The Programme further conducted training workshops for operators and provided guidance for proper institutionalization and good corporate governance within the taxi industry. This includes among others, training workshops that were requested by potential operators in the passenger and tourism operations in Matatiele, Makgobistat and Witbank. These workshops were

focused on the C-BRT Act, processes and procedures for permit applications and the permit fee structure.

At the regional level, the Agency participated in the Botswana Bi-national Commission (BNC) where constraints that would be elevated to the Minister's Commission were discussed. Among other matters discussed were the long-standing yet very critical issues such as the Third Party Insurance and Road User Charges were at the centre of such discussions.

The Agency continues to address conflicts and constraints to enable free flowing movements across borders. Out of all the constraints reported from JRGM/JC and other internal platforms in 2017/18, the Agency managed to resolve 29% of constraints reported and escalated 42%, whilst 29% the rest of constraints are still in progress due to inter-governmental responses and/or action that were still pending. The highlights for the year includes 100% resolution of constraints reported through the Lebombo Bilateral meeting and the Beitbridge Inter-



border meetings; 100% resolution of the constraints in the 2017/2018 Annual Constraints register as well as the development of a tracking matrix to monitor progress. Worthy to note also is the establishment of task teams with Botswana and Mozambique for purposes of resolving outstanding matters and to speedily resolve constraints. In terms of conflicts, the Agency has successfully resolved 100% of conflicts registered in 2017/18. The highlights for the year include a conflict that involved RSA and Mozambican operators which resulted in the Lebombo border post being blockaded. This conflict was about documents that were unlawfully confiscated

by Mozambican operators and the RSA operators demanded that they be returned. The conflict was later resolved and the border reopened.

A number of activities have already started to boost the implementation of the Industry Development Strategy. The programme also started engagements with key Industry Development stakeholders in view of the challenge with respect to operators' skills gaps; a leadership course was delivered to the NCBO and the Executives of Route Committees so that they can assist cross border operators to benefit from the strategy.

#### 5.4.4. Strategy to overcome areas of under performance

There were no key challenges experienced in the execution of the planned activities.

#### 5.4.5. Changes to planned targets

There were no changes made to the planned targets for this programme.

#### 5.4.6. Linking performance to budgets

Table 15: Expenditure: Stakeholder Management

PROGRAMME	2017/2018			2016/2017		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
Stakeholder Management	23 879	12 744	11 135	14 147	15 786	(1 639)

The programme achieved its targets within the budgeted allocation and the underspending is mainly attributable to the implementation of cost containment measures to generate surpluses to service the operator claims



## 5.5 PROGRAMME 5: RESEARCH AND ADVISORY SERVICES

### 5.5.1 Introduction

The purpose of this programme is to provide advisory and strategic support through application of technical expertise and management of most projects and research initiatives. The outcomes of all initiatives under this function are very useful in the provision of advisory services. The research-based information that

is generated by the programme serves as guidelines for policy development and decision making across various functions within the Agency. The programme plays a role of improving the visibility of the organisation through proactive sharing of information at key strategic platforms across the region.

This programme has the following strategic objective:

- To proactively provide value-added advisory services to the Minister of Transport and other relevant

stakeholders on cross-border matters in the transport sector.

### 5.5.2 Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievement

The table below presents Programme 5 strategic objectives, the key performance indicators, planned annual targets, actual performance and deviation thereof:

**Table 16: Stakeholder Management Performance against Pre-determined Objectives**

STRATEGIC OBJECTIVE: TO PROACTIVELY PROVIDE VALUE-ADDED ADVISORY SERVICES TO THE MINISTER OF TRANSPORT AND OTHER STAKEHOLDERS ON CROSS-BORDER MATTERS IN THE TRANSPORT SECTOR						
KPI NO.	KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/17	PLANNED TARGET 2017/18	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2017/18	COMMENT ON DEVIATION
5.1.	Number of Annual State of Cross-border operations reports (ASCBOR) submitted to the Minister and other relevant stakeholders	1 ASCBOR was submitted to the Minister of Transport and shared with other stakeholders on the C-BRTA's website.	1 ASCBOR report to the minister and other stakeholders	Target achieved The Board approved the Annual State of Cross Border Report which was submitted to the DoT and published on the C-BRTA website for all other stakeholders.	None as the target was achieved	None as there was no deviation
5.2.	Number of country profiles developed or updated	2 Country profiles (Malawi and Lesotho) were developed and approved by Board during the year.	2 country (Swaziland and Botswana) profiles developed	Target achieved 2 country profiles for Swaziland and Botswana were developed during the financial year.	None as the target was achieved	None as there was no deviation
5.3.	Developed model to calculate transit and cost of delays at commercial border posts	None, new indicator	Cross-border Flow calculator Concept document	Target achieved The Cross Border Flow calculator concept document was approved by the Board	None, target achieved	None, target achieved



### 5.5.2.1. Narrative summary of programme performance information

#### 5.5.2.1.1 Annual State of Cross-Border Operations Report (ASCBOR)

The Agency remains committed to provision of research-based and validated information to its stakeholders for strategic application when needed. The 2017/18 Annual State of Cross Border Operations Report (ASCBOR) was compiled, approved by the Board and submitted to the Minister. The ASCBOR serves to inform the Minister of Transport and other relevant public and private sector stakeholders of challenges and developments taking place within the cross-border road transport industry. The Report proposes a number of reforms to address cross border road transport constraints and action plans to improve the seamless flow of traffic along regional road transport corridors. The research findings captured in ASCBOR are shared at various platforms with stakeholders in the trade and transport value chains whenever the need arise. This implies a positive move for the Agency in terms of gradually improving its visibility and provision of value-added services to the Minister.

The value of this Report lies in its provision of advice and consolidated information to the Minister of Transport, the Department of Transport and other key stakeholders. It further articulates challenges facing the cross-border road transport sector, corridor performance indicators, developments in the trade and transport sectors, initiatives that may be implemented to address the identified challenges and action plans, and funding frameworks for the identified initiatives, amongst others.

The Report was further published on the C-BRTA's

website for the benefit of all other key stakeholders in the transport sector in the country and across the region. It is envisaged that the report will go a long way towards providing up to date information on developments and solutions to existing challenges in the sector, to policy makers, regulators and the all stakeholders in the road transport sector in general.

#### 5.5.2.1.2 Development of Country Profile Reports

The aim of Country Profile reports is to provide a consolidated platform for the dissemination of information that is useful to key stakeholders in the cross-border environment, particularly cross-border road transport operators, regulatory authorities and trading parties on a specific country of interest. In this financial year, the target was to develop Country Profiles for Swaziland and Botswana and this target was achieved. It is envisaged that the reports will be resourceful to cross-border operators conducting operations between South Africa and the said countries, in terms of providing information that influence decision-making with respect to improving operations and exploring business opportunities.



#### 5.5.2.1.3 Cross-Border Flow Calculator

The major aim of the project was to develop a Cross-Border Flow Calculator that can be used to calculate transit times and the economic impact of the delays. In this financial year, the target for this Programme was to develop a Cross-Border Flow Concept document. The concept was successfully developed and approved by the Board.

The Cross-Border Flow Calculator will provide invaluable information with respect to key drivers of transit times and related transit time durations at specific points at commercial border posts and corridors, as well as the economic impact thereof. This information will add value with respect to prioritisation of interventions at border posts and corridors as well as determination of key points within the border posts that must also be prioritised.

Furthermore, the tool will provide transit times and estimate durations of delays at respective border posts, which operators will be able to use for purposes of routing and trip scheduling. This will go a long way towards enabling them to optimise the fleet and other resources, and improve operational efficiency. It is envisaged that the ultimate application of calculator will be highly beneficial to policy makers, border stakeholders, corridor stakeholders, business community including freight forwarders, clearing agents and transport operators as they will plan their operations using almost accurate estimates.

### 5.5.3. Other Programme Priorities

The Agency depends on the programme for direct and indirect support to the achievement of strategic objectives and realisation of the set goals. In light of that, over and above the pre-determined targets in the APP, the R&D programme had other key priorities, which amongst others are as follows:

#### 5.5.3.1. Linking Africa Plan

For 2017/18, the target was to develop a Linking Africa Plan that is aimed at identifying interventions that may be implemented towards enhancing the unimpeded flow of cross-border road transport movements, intra-Africa trade, regional integration and industrialisation on the African continent. There were significant strides made in terms of consultations on the plan. The highlight was the presentation made at the O R Tambo International Road Transport Indaba in October 2017 to solicit inputs. The Plan was developed and presentations to stakeholders are still ongoing as the Plan is a live document.

### 5.5.6. Linking performance to budgets

**Table 17: Expenditure: Research and Advisory Services**

PROGRAMME	2017/2018			2016/2017		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
Research and Advisory Services	14 582	11 060	3 521	10 610	5 520	5 091

The programme achieved its targets within the budgeted allocation and the underspending is mainly attributable to the implementation of cost containment measures to generate surpluses to service the operator claims

### 5.5.3.2. Research Projects

- Among research projects in 2017/18 was the refinement of the Model that was developed in 2016 for estimating the cost of doing business on the NSC, MDC and TKC corridors and finalisation of user manuals for the application of the Model. It is envisaged that the Model will provide invaluable information with respect to understanding the true cost of doing business in various corridors connecting South Africa to the region.
- Assessment of road crashes involving cross-border road transport vehicles (crashes statistics, strategies to reduce accidents and the role of C-BRTA). The Agency was tasked to develop a report articulating information on road accidents that involved cross-border road transport vehicles for both South African and foreign vehicles. This task was achieved.

The report further identified strategies that may be implemented for reducing accidents especially with respect to cross-border road transport. It is envisaged that the report will be used in the determination of solutions to road accidents involving cross-border

vehicles. The report also provides information that will be used in bilateral engagements and forums where and when road safety issues are discussed.

- Determination of the role of the C-BRTA towards the implementation of the National Road Safety Strategy. The C-BRTA is one of the key players in the road safety environment and therefore plays its part in the implementation of the National Road Safety Strategy (NRSS). The programme successfully compiled a report which identifies and synthesises the roles of the Agency in the implementation of the NRSS. The report further highlighted specific interventions that the Agency should implement towards improving road safety, thus ensuring that the C-BRTA plays its strategic role towards improving road safety.

### 5.5.4. Strategy to overcome areas of under performance

The programme achieved all targets that were set for the year.

### 5.5.5. Changes to planned targets

There were no changes made to the planned targets for this programme.





PART C GOVERNANCE

## 1. Introduction

The Cross-Border Road Transport Agency is a statutory body established in terms of the Cross-Border Transport Act, Act No. 4 of 1998, as amended ("C-BRT ACT). As a Public entity, the C-BRTA is listed as a Schedule 3A of the Public Finance Management Act, Act No. 1 of 1999.

In terms of the C-BRT Act, the Minister of Transport has appointed the Board of Directors to govern and represent the Agency. The Board as the Accounting Authority provides the Agency with strategic direction and monitors achievement in terms of the goals and strategic objectives.

## 2. Portfolio Committees Meetings

**Table 18: Portfolio Committees**

DATE	PARLIAMENTARY STRUCTURE	FOCUS	KEY ISSUES RAISED
May 2017	Portfolio Committee on Transport (PCOT)	Presentation of the C-BRTA revised Strategic Plan 2015-2020 and Annual Performance Plan 2017/18 to the Portfolio Committee on Transport.	The committee noted the presentation of the C-BRTA and requested the Agency to provide a report on the development on the Free State/ Lesotho issue as well provide written responses on questions raised by the Committee.
October 2017	Portfolio Committee on Transport (PCOT)	Presentation of the C-BRTA 2016/17 Annual Report to the Portfolio Committee on Transport.	The committee noted the presentation of the C-BRTA and requested the Agency to provide a report on a set of questions raised by the Committee. A report was compiled by the C-BRTA and submitted to the Committee Secretary on 20 October 2017.

## 3. The Executive Authority

In line with the reporting requirements, all four (4) quarterly financial and performance reports were submitted to the Minister of Transport together with the compliance checklist. The Minister was sensitized on the need to fill up the vacancies in the Board with requisite skills as required by the C-BRT Act.

The Annual General Meeting was held where both the Minister and members of the Board were in attendance. The Minister expressed appreciation to the Agency efforts and further encouraged the Board to focus on achieving its planned target and improve the level of organizational performance.

## 4. The Board

### 4.1. Introduction

In accordance with the C-BRT Act, the Agency is represented and governed by the Board of Directors. The Board is the accounting authority in terms of the Public Finance Management Act (PFMA) and is responsible for providing oversight to the Agency. The Board is committed to high standard of business integrity, accountability and transparency. The Board reports to the Minister of Transport on a quarterly basis and annually on the overall performance of the Agency.

The Board is responsible for the following, amongst others:

- Monitoring and evaluate the implementation of

strategies and management of performance;

- Ensuring Policies are in place;
- Monitor the Agency's compliance with all relevant laws;
- Managing the risks of the organisation;
- Assessing the effectiveness of internal control environment;
- Recommend the appointment and review the performance of the CEO;
- Set the corporate governance systems;
- Ensure the IT systems used within CBRTA are adequately run;
- Define its level of maturity; and
- Discharging legislative duties and exercise any power conferred to it by the C-BRT Act.





## 4.2 The role of the Board is as follows

The Board is primarily responsible for providing strategic direction to the Agency. The Board develops the five (5) year Strategic Plan and the APP of the Agency in accordance with the PFMA which is submitted to the Minister of Transport. In terms of the PFMA, the Board is the accounting Authority for the Agency and has the responsibility to report to the Minister on the performance of the Agency. The Board and the Minister conclude an annual performance agreement which sets out the role and responsibilities of both parties and govern the relationship between them. The Board further approves the budget of the Agency and monitors the Agency's financial performance through the Audit and Risk Committee quarterly. At every quarterly Board meeting, the Board considers the quarterly performance report of the Agency which has been audited by the Internal Auditors. Where there are non-achievement of targets, Management develops the remedial actions to ensure that by the end of the following reporting quarter all prior quarter deliverables are met.

The Board, through the Audit and Risk Committee monitored compliance with all laws that were identified and have an impact on C-BRTA business. This approach has professed the Agency legislative compliance improving significantly in the current year as policies developed or reviewed were aligned to the legislative requirements.

The Board meets at least four (4) times in a year, and as the need arises, special meetings are convened. Board

meetings are scheduled in advance and members of the Board are provided with requisite information well in time to prepare for the meeting. The Board further meets with the Minister on arrangement and have a scheduled AGM at which the Board presents the audited annual Report including the audited Annual Financial Statements for the Minister's approval and adoption. The Minister further approves the appointment of the Audit and Risk Committee members and confirms the appointment of internal auditors for the year.

## 4.3 Board Charter

The Board operates in accordance with the Board Charter that the Board reviews and adopts on an annual basis. As recommended by the King code of Governance and in accordance with the C-BRT Act; The Charter sets out the roles, structures and functions of the Board, its various Subcommittees, Chairpersons and the CEO as well as procedures for Board meetings. The Charter further makes provision for the evaluation of the Board's performance to ensure that it remains effective and addresses challenges that may be hampering its effectiveness.

An external Board Effectiveness Evaluation of the Board, Board Committees' and Board members' performance is currently underway and upon finalisation a report in this regard will be submitted to the Shareholder.

## 4.4 Composition of the Board

In accordance with the Act, the Agency is represented and governed by the Board of Directors. The Board is the accounting authority in terms of the PFMA and is responsible for providing oversight over the Agency. The Board is committed to high standard of business integrity, accountability and transparency. To this end, the Board has adopted the principles set out in the Report on Corporate Governance for South Africa – 2016 ("King IV"), thus underlining its commitment to good corporate governance

The Board comprises 11 directors, of whom 10 are non-executive directors and 1 executive director. The Minister has also nominated a representative from the Department of Transport to participate in a non-voting capacity in deliberations of the Board. The CEO is the only executive director on the Board.

The Minister appoints the non-executive directors for a term of office not exceeding 3 years. The Minister also appoints, among the non-executive directors, a Chairperson and a Deputy Chairperson for a term of office not exceeding 3 years. Non-executive directors are eligible for re-appointment but for not more than 3 consecutive terms of office.

The current Board was appointed with effect from 01 May 2016.

The table below discloses relevant information on the Board members:

**Table 19: List of C-BRTA Board members, Qualifications and other Directorships**

MEMBER	DATE APPOINTED	DATE RESIGNED/RETIRED	QUALIFICATIONS
Mr Mosoeunyane Ramathe <b>Chairperson of the Board</b>	1 May 2016	N/A	<ul style="list-style-type: none"> <li>• B Com, Wits</li> <li>• B Com Acc, Wits</li> <li>• Chartered Accountant (SA)</li> <li>• Diploma in Project Management</li> </ul>
Prof Jan Havenga <b>Deputy Chairperson</b>	1 May 2016	N/A	<ul style="list-style-type: none"> <li>• Doctorate of Philosophy in Logistics Management, University of Stellenbosch</li> <li>• Masters of Business Leadership (UNISA)</li> <li>• BA Hons, (UOFS)</li> </ul>
Mr Futshane <b>Shareholder representative</b>		N/A	<ul style="list-style-type: none"> <li>• B Tech in Transportation Engineering (TUT)</li> <li>• Transportation Management Diploma (RAU)</li> <li>• Diploma in Advanced Project Management, Executive Education</li> <li>• S4 in Civil Engineering (ND), Eastern Cape Technikon</li> </ul>
Mr Ignatia Sekonyela <b>Member of Human Resources and Remuneration Committee</b>	1 May 2016	N/A	<ul style="list-style-type: none"> <li>• Advanced Labour Law, UNISA</li> <li>• Senior Management Development Programme, UP Business School</li> <li>• Diploma in Human Resource, Damelin</li> <li>• BA Honneurs Sielkunde, RAU</li> <li>• B Cur Degree, Medunsa</li> </ul>
Mr Raymond Baloyi <b>Member of Human Resources and Remuneration Committee</b>	1 May 2016	N/A	<ul style="list-style-type: none"> <li>• M Sc (Town and Transport Planning)</li> <li>• M Phil (Urban Studies)</li> <li>• BA Development Studies)</li> </ul>
Mr Lucky Thekisho <b>Member of Human Resources and Remuneration Committee</b>	1 May 2016	N/A	<ul style="list-style-type: none"> <li>• BLC, LLB, LLM (Labour Law), UP</li> <li>• Advanced Labour Law, CE@UP</li> <li>• Legislative Drafting, CE@UP</li> <li>• Environmental Law and Compliance, UJ</li> </ul>
Keitumetse Mahlangu <b>Member of Audit and Risk Committee</b>	1 May 2016	N/A	<ul style="list-style-type: none"> <li>• B Proc, University of Zululand</li> <li>• LLB, University of Natal</li> <li>• MAP, Wits Business School</li> <li>• Certificate in Fraud Examination, UP</li> <li>• Legislative Drafting, Institute of Advanced Legal Studies, Univ. of London</li> </ul>
Ms Moss Scott <b>Regulatory Committee and Human Resource and Remuneration Committee</b>	1 April 2015	30 June 2017	Teachers Diploma, Rand Teachers College



## 4.5. Board Meetings

The Board meets at least four times a year and operates in terms of approved Board Charter. Total attendance relates to the number of meetings that each member was scheduled to attend.

The table below depicts a summary of meetings held by the Board:

**Table 20: Board meetings attendance schedule**

MEMBER	TOTAL OF ATTENDANCE							TOTAL ATTENDANCE
	26/04/2017	29/05/2017	28/07/2017	30/10/2017	28/11/2017	30/01/2018	15/02/2018	
Mr M Ramathe	✓	✓	✓	✓	✓	✓	✓	7 out of 7
Prof J Havenga	✓	✓	✓	✓	✓	✓	✓	7 out of 7
Ms I Sekonyela	✓	✓	✓	✓	✓	✓	✓	7 out of 7
Mr M Scott	✓	✘	o	o	o	o	o	1 out of 2
Mr S Khumalo	✘	✓	✓	✓	✓	✓	✓	6 out of 7
Mr L Thekisho	✓	✓	✘	✓	✓	✓	✓	6 out of 7
Mr R Baloyi	✓	✓	✓	✓	✓	✓	✓	7 out of 7
Ms K Mahlangu	✘	✓	✓	✓	✘	✓	✓	5 out of 7
Mr M Futshane	o	o	□	✓	✓	□	✘	2 out of 5

✓ Present      ✘ Apology      o Not a member (during period)      □ Absent

#### 4.6. Human Resources and Remuneration Committee (REMCO)

The Committee meets at least four (4) times in a year and operates in terms of approved Terms of References. The Committee is responsible for review of Human Resources policies, approval of Human Resources plan and monitoring of employee performance and reward.

The table below depicts a summary of meetings held by the HR and REMCO:

**Table 21: HR and REMCO attendance schedule**

MEMBER	TOTAL OF ATTENDANCE							TOTAL ATTENDANCE
	19/04/2017	22/05/2017	19/07/2017	19/10/2017	18/01/2018	26/01/2018	30/01/2018	
Ms I Sekonyela	✓	✓	✓	✓	✓	✓	✓	7 out of 7
Mr M Scott	✓	✓	o	o	o	o	o	2 out of 2
Mr S Khumalo	✓	✓	✓	✓	✓	✘	✘	5 out of 7
Mr L Thekisho	✘	□	✘	✓	✘	✓	✓	3 out of 7
Mr R Baloyi	o	o	o	✓	✓	✓	✓	4 out of 4

✓ Present      ✘ Apology      o Not a member (during period)      □ Absent

#### 4.7. Procurement Committee

The Committee convenes its meetings when there are tenders to be adjudicated. The CFO and the Senior Manager: Supply Chain Management has a standing invitation to the Committee. Additional members with relevant expertise on specific tenders may be invited to present to the Committee.

**Table 22: Summary of Procurement Committee Meetings held**

MEMBER	DATE		TOTAL ATTENDANCE
	05/04/2017	15/06/2017	
Mr M Scott	✓	✓	2 out of 2
Mr R Baloyi	✓	✓	2 out of 2
Prof J Havenga	✓	✘	1 out of 2

✓ Present      ✘ Apology



## 4.8. Regulatory Committee

The Committee is a statutory Committee established in terms of the C-BRT Act. Its membership is constituted in accordance with the prescripts of the said act. The Committee meets at least four (4) times to consider matters of a strategic nature and at least every other month for operator permit application hearings.

### 4.8.1. Regulatory Committee Meetings

Table 23: Summary of Regulatory Committee Meetings held

MEMBER	DATE		TOTAL ATTENDANCE
	08/12/2017	23/01/2018	
Mr M Ramathe	✓	✓	2 out of 2
Prof J Havenga	✓	✓	2 out of 2
Mr R Baloyi	✓	✓	2 out of 2
Mr M Scott	o	o	0 out of 0
Mr S Khumalo	✓	✓	2 out of 2
Mr L Thekisho	✓	✓	2 out of 2
Mr M Futshane	□	□	0 out of 2

✓ Present      ✗ Apology      o Not a member (during period)      □ Absent

### 4.8.2. Regulatory Committee Hearings

Table 24: Summary of Regulatory Committee Hearings held

MEMBER	DATE				TOTAL ATTENDANCE
	18/05/2017	07/12/2017	29/01/2018	15/03/2018	
Mr M Ramathe	✓	✓	✓	✓	4 out of 4
Prof J Havenga	✓	✓	✓	✓	4 out of 4
Mr M Scott	✓	✓	o	o	1 out of 1
Mr S Khumalo	✓	✓	✓	✗	3 out of 4
Mr R Baloyi	✓	✓	✓	✓	4 out of 4
Mr L Thekisho	✓	✓	✗	✓	3 out of 4
Mr M Futshane	✗	✗	□	□	0 out of 4

✓ Present      ✗ Apology      o Not a member (during period)      □ Absent



## 5. Risk Management

The Agency subscribes to a process of risk management that is aligned to the principles of good corporate governance and views risk management as a strategic imperative, advances the prospects of success through minimising negative impact and optimizing the opportunities. As such, the agency has integrated risk management to its key management structures, thus ensuring that risk management is part of decision making process.

The Agency's Board Committee takes the overall responsibility and accountability for risk management. The Board through the Audit and Risk Committee has ensured that management has reviewed key risks, response strategies to manage such risks and monitors the effectiveness of such responses strategies regularly and formally on a quarterly basis. Furthermore, during the financial year under review, the Board has reviewed current strategic risks thus ensuring that management has instituted adequate measures to cater for key risk, in response to significant changes and to assess the shift in the magnitude of risks and the need for further management action thereof.

To ensure that risk management is broad based application throughout the Agency and it is an intrinsic part of decision making process, considers all material risks through the Agency's value chain responsible for producing and delivering particular services or goods, the Risk Management is a standing agenda item in the Executive Committee meeting (EXCO), Audit and Risk Committee (ARC) and the Board Committee.

Furthermore, the management team is responsible for monitoring the progress of actions to address strategic risks, and is supported through the internal audit programme. The Board takes the overall responsibility and holds management accountable through the ARC for implementing risk response strategies.

The Agency has made significant progress with regard to the execution of the management action plans. Although the risk remains stable, appropriate mitigating strategies adopted have yielded positive results, during the period under review, forty percent (40%) of the of strategic risks which was rated High have been re-profiled to a moderate residual exposure level and sixty (60 %) have remained at a moderate exposure level. The effectiveness of risk management processes within the Agency resulted in the overall improvement of organizational performance from 67% in the previous financial year to 92% in the current year.

## 6. Internal Control

The Agency subscribes to a process of risk management that is aligned to the principles of good corporate governance and views risk management as a strategic imperative, advances the prospects of success through minimising negative impact and optimizing the opportunities. As such, the agency has integrated risk management to its key management structures, thus ensuring that risk management is part of the decision making process.

The Agency's Board Committee takes the overall responsibility and accountability for risk management. The Board through the Audit and Risk Committee has ensured that management has reviewed key risks, response strategies to manage such risks and monitors the effectiveness of such responses strategies regularly and formally quarterly basis.

Furthermore, the management team is responsible for monitoring progress of actions to address strategic risks, and is supported through the internal audit programme. The Board takes the overall responsibility and holds management accountable through the ARC for implementing risk response strategies.

The Agency has committed to a process of sound and effective control system and adhere to the principles of good corporate governance as supported by the principle of King IV, Public Finance Management Act, 1999 (Act No.1 of 1999) ("The PFMA"), as amended by Act 29 of 1999. We are of the view that sound internal control environment enhances the quality of accounting information, reduces the possibility of mismanagement, error and fraud. As we have instituted management measures to ensure that there is adequate segregation of duties within the Agency. It is a coordinated system of checks and balances in which tasks necessary to complete a transaction either performed by different officials, or the tasks are independently reviewed.

Furthermore, the internal controls deficiencies are also managed through conducting quarterly systematic reviews, where the Risk Management and Internal Control Unit through the leadership of the Chief Financial Officer, analyses audit findings and Internal control deficiencies to determine root causes, identify perpetual audit findings and work with management to come up with preventative, detective and corrective internal



control strategies. The Board though the ARC plays an oversight role to ensure that they review material findings, auditors recommendations, the effectiveness of response strategies and monitors the implementation of recommendations.

Overall, management has made significant improvement in implementing corrective actions plans, sixty three percent (63%) of external audit findings have been resolved and thirty eight percent (38%) are in progress/partially addressed. The majority of the 38% reside in the information technology environment and are in the process of being implemented. Fifty five percent (55%) of the Internal Audit findings have been fully implemented with forty five percent (45%) being in progress/partially addressed, and plans are in place to resolve these findings, and some areas mitigating controls are put in place while pursuing permanent solutions.

## 7. Internal Audit And Audit Committees

### 7.1 Internal Audit

The Internal Audit function falls within the purview of the Audit and Risk Committee and it was outsourced to O.M.A Chartered Accountants Inc. that operated according to the agreement that was entered into. Internal audits are performed in accordance with methodology contained in the International Standards for Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors SA.

The internal audit team operates in terms of the risk-based Annual Internal Audit Plan approved by the Audit and Risk Committee (ARC). The internal audits reports are considered by the ARC on quarterly basis and detail the results of internal audit findings with respect to adequacy and effectiveness of internal controls, recommend possible ways in which the management measures could be improved to overcome the identified weaknesses.

The work conducted by the audit function during the financial year covered various areas including the quarterly audits of performance against the predetermined objectives, supply chain management, regulatory review, audit on stakeholder management, IT General Control review, Strategic Plan and Annual Performance Plan's review and financial discipline review. The audit function also conducted follow up audits on internal audit findings on Governance and Human Resource Management as well as on audit findings raised by the Auditor-General.

### 7.2 Audit and Risk Committee

The Audit and Risk Committee comprises of five (5) members, three (3) members who are independent from the Board and two (2) who are Non-Executive Directors of the Board in accordance with the PFMA and the King IV recommendations. The offices of the CEO, COO, CFO and CIO are responsible for performance monitoring hence have a standing invitation to all Committee meetings. The internal and external auditors have unrestricted access to the Chairperson of the Committee. The Committee is charged with an oversight role of financial reporting on behalf of the Board on matters such as the performance review, effectiveness of internal controls systems including disclosure controls, ICT Governance, Enterprise Risk Management, the Agency's compliance with legal and regulatory requirements, the performance of the Agency's internal and external audit function.

The Committee meets at least five (5) times annually and as the need arises, a special meeting may be convened. The table below discloses relevant information on the audit and risk committee members:

**Table 25: List of ARC Members and their Qualifications**

NAME	QUALIFICATIONS	INTERNAL/EXTERNAL	DATE APPOINTED	NO. OF MEETINGS ATTENDED
Ms P Mzizi	<ul style="list-style-type: none"> <li>Chartered Accountant (SA)</li> <li>B Com Honours in Transport Economics , UNISA</li> <li>B Com Honours – CTA, UNISA</li> <li>BBusSci Finance Honours , UCT</li> </ul>	External	2010	8 out of 8
Mr P Fourie	<ul style="list-style-type: none"> <li>Chartered Accountant (SA)</li> <li>B Com Honours, UP</li> <li>Certificate in Theory in Accountancy, UP</li> </ul>	External	1 March 2016	8 out of 8
Mr A Wakaba	<ul style="list-style-type: none"> <li>Master in Business Administration, Univ. of Stellenbosch</li> <li>B Compt Honours, Univ. of Transkei</li> <li>B Com (Accounting), Univ. of Transkei</li> </ul>	External	1 March 2016	8 out of 8
Ms K Mahlangu	<ul style="list-style-type: none"> <li>B Proc, University of Zululand</li> <li>LLB, University of Natal</li> <li>MAP, Wits Business School</li> <li>Certificate in Fraud Examination, UP</li> <li>Legislative Drafting, Institute of Advanced Legal Studies, Univ. of London</li> </ul>	External	1 April 2016	7 out of 8

## 8. Compliance with Laws And Regulations

The Agency has developed a compliance universe consisting of all pieces of legislation applicable to the Agency. The Agency monitor's compliance on a quarterly basis, a quarterly report is provided to the Audit and Risk committee and board to enable said to report to the Minister of Transport. Remedial is recommended should incidence of non-compliance be identified quarterly. In addition to the pieces of legislation The Agency also tracks compliance in terms of the International agreements.

The Agency's compliance universe is fully organised, underpinned by the compliance manual that has been approved by the Board. All employees are inducted and have a consistent understanding of compliance policies and procedures.

C-BRTA subscribes to Libryo regulatory alerts, licenses and key sources of regulatory information and the Agency's compliance function reviews compliance alerts on an on-going basis. Regulatory changes affecting the Agency are communicated to the relevant internal stakeholders on an on-going basis. As and when required, such changes are also incorporated into the Agency's risk management framework. Policies are continuously reviewed to align with the legislative developments.

C-BRTA reviews its regulatory universe on an annual basis. This includes assessing the completeness and accuracy of the regulatory requirements. Compliance awareness takes place in the form of newsletters, workshops and presentations and are designed to increase awareness of, and enhance compliance with applicable legislation. The Board monitors compliance and reports to the Minister of Transport on the state of compliance quarterly.

## 9. Fraud And Corruption

The Agency has a zero tolerance approach to fraud, corruption and unethical conduct. Reports for these incidents can be reported using the Public Service Commission National Anti-Corruption Hotline or using the Agency's internal reporting mechanism. Reports can be made anonymously. All reported incidents are independently evaluated by IMS and where appropriate investigated, where prima facie evidence exists, disciplinary action/ criminal proceedings may be ensued with the aim of also recovering loss suffered by the Agency.

The Agency has approved anti-corruption policies that are regularly communicated to staff and stakeholders. These include amongst others the following; Whistle Blowing Policy, Anti-Corruption Strategy, Gift Policy (reviewed and approved) and Integrity Management Framework. During the year, two additional appointments were made to bolster the capacity of IMS team from one to three resources. The Audit and Risk Committee and the Board are apprised of Fraud and Corruption cases on a quarterly basis.



## 10. Minimising Conflict of Interest

All employees including members of the Board are required to make annual financial disclosures. The Agency has the following approved policies that regulate management of conflict of interest; Integrity Management framework, Gift Policy and the code of conduct. During the reporting financial period, IMS entered into an agreement with Company's and Intellectual Property Commission to access its data base regarding company directorship which IMS uses to validate disclosures made by employees.



## 11. Code of Conduct

C-BRTA employees continue to adhere to the approved Code of Conduct. The policy was not reviewed as still covers the required values and behavioural patterns required from the employees and the Board.



## 12. Health Safety and Environmental Issues

The Occupational Health and Safety (OHS) draft Framework was revised and will be reviewed upon the appointment of the new OHS Committee.

## 13. Company Secretary

The Company Secretary commands knowledge and expertise in the law, business management and corporate governance. The CS assists the Board Chairperson and the CEO in determining the annual Board plan as well as raise matters that may warrant the attention of the Board. One of the roles is ensuring the Board is aware at all times of their legislative duties and responsibilities, that minutes of all shareholders meetings, board meetings and the meetings of any committees of the directors are properly recorded. Furthermore; liaise with the Minister's office regarding Board activities and Provides administrative support to the Board and its Committees.

## 14. Social Responsibility

The C-BRTA has conducted career exhibitions in a joint venture with the National Department of Transport and other sister entities for grade 10-12 learners in Limpopo, North West and Mpumalanga Province. A Knowledge Seminar was also conducted for the University of Johannesburg students.

A Youth Empowerment Workshop was organised in collaboration with Musina Municipality to empower young people and educate them on opportunities available within the cross-border space.

A Women and Youth Workshop Information Sharing Seminar targeting communities around Oshoek border post was hosted in collaboration with Chief Albert Luthuli Local Municipality. The seminar was aimed at providing relevant information to communities about existing opportunities and funding. A Road Safety Education session supported by sister agencies was held with two Primary Schools in Hartebeeskop. A campaign to attract new entrants into the cross-border market was held in Makgobistad in the North West Province.





## 15. Audit and Risk Committee Report

We are pleased to present the report of the Audit and Risk Committee (“the Committee”) for the financial year ended 31 March 2018.

### Membership and Attendance

The Committee comprises of 3 independent non-executive members and one non-executive director. The members of the Committee and the record of their meeting attendance are listed hereunder. The Committee has adopted formal terms of reference which set out its responsibilities. During the year under review, eight (8) meetings were held. The attendance record of different members is as detailed below. Apologies were tendered for meetings not attended.

**Table 26: Summary of Committee Meeting held**

MEMBER	DATE								TOTAL OF ATTENDANCE
	18/4/2017	22/5/2017	18/7/2017	18/10/2017	26/10/2017	22/11/2017	16/01/2018	24/01/2018	
Ms P Mzizi	✓	✓	✓	✓	✓	✓	✓	✓	8 out of 8
Mr PS Fourie	✓	✓	✓	✓	✓	✓	✓	✓	8 out of 8
Mr A Wakaba	✓	✓	✓	✓	✓	✓	✓	✓	8 out of 8
Ms K Mahlangu	✓	✓	✓	✓	✓	✓	✓	✗	7 out of 8

✓ Present      ✗ Apology      ○ Not a member (during period)

### Committee Responsibility

The Committee reports that it has complied with its responsibilities arising from sections 51(1)(a)(ii) of the PFMA and Treasury Regulation 27.1. The Committee also reports that it has adopted appropriate formal terms of reference and regulated its affairs in compliance with the terms of reference.

The Committee is satisfied it has discharged its responsibilities as set out in its terms of reference.

### The Effectiveness of Internal Control

In carrying out its responsibilities, the Committee confirms that the system of internal control applied by the Agency over financial and risk management is effective, efficient

and transparent. In line with the PFMA and King IV, Internal Audit provides the Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by risk management processes, as well as the identification of corrective actions and suggested enhancements to controls and processes. From the various reports of the Internal Auditors and the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations. Accordingly, we can report that the system of internal control over financial reporting, performance reporting and compliance with laws and regulations, for the period under review, was efficient and effective.

The Committee is also satisfied with the content and the quality of quarterly reports prepared and issued by the management of the Agency during the year under review.

## Evaluation of Financial Statements

The Committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with Management and the Chief Executive Officer which was thereafter reported to the Accounting Authority;
- reviewed the Auditor-General South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the Agency's compliance with legal and regulatory provisions; and
- reviewed the information on predetermined objectives to be included in the annual report.

## Risk Management

The Committee has concluded that the Agency is at a Level 3 Maturity rating: Defined as there is an indication that a common risk assessment/response framework is in place which is based on ISO 31000, Agency-wide view of risk is provided to executive management and there are adequate action plans implemented in response to high priority risks. The Committee is, therefore, satisfied with the effectiveness of the Agency's risk management process.

## Internal Audit

The Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Agency and its audits. The following internal audit work was completed during the year under review:

- Performance Information (Performance against Objectives) – Quarter 4 of 2016/2017;
- Performance Information (Performance against Objectives) – Quarters 1, 2, 3 and 4 of 2017/2018;
- Follow Up on Internal Audit Findings – on Governance;
- Follow up on Findings raised by the Auditor-General South Africa;
- Stakeholder Management;
- Financial Discipline Review;
- Information Technology – General Controls Review;
- Review of the Strategic Plan and Annual Performance Plan;
- Supply Chain and Expenditure Management;
- Regulatory/Permits Review;
- Follow Up on Internal Audit Findings – Human Capital Management (including a control self-assessment);
- Review of Annual Performance Information; and
- Review on Unaudited Annual Financial Statements.

The following were reported as areas of concern:

- Permits Review where areas of improvement have been identified which require management's immediate attention; and
- ICT system of internal control which also requires urgent management attention.

## Auditor's Report

The Audit Committee has met with the Auditor-General South Africa to ensure that there are no unresolved issues. The Committee has also reviewed the implementation plan for audit issues reported in the prior year and is satisfied that the matters have been adequately resolved.

The Committee concurs and accepts the conclusions of the Auditor-General South Africa on the annual financial statements and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor-General South Africa.

**Ms. P Mzizi CA (SA)**

**Chairperson: C-BRTA Audit and Risk Committee**

Date: 17 July 2018





PART

D

**HUMAN RESOURCE  
MANAGEMENT**

## 1. Introduction

The Human resources function oversees the most important component of any successful organisation, i.e. a productive and a thriving workforce. The role of human resource management in C-BRTA is to support its workforce so that they can effectively perform their duties thereby enabling and enhancing delivery of set objectives. This requires viewing people as human assets, not costs to the organization.

In the year under review, the Human Resources function has implemented a number of initiatives amongst others, culture change programmes, revised C-BRTA reward program, induction programmes, training implementation, HR manual review and salary adjustment collective agreement.

Human resources remains committed to address not only the changing needs of an employer but also a constantly shifting competitive job market. Employee benefit packages are continually assessed in order to retain competent employees, attract skilled and capable workforce.

The tables below present the statistical information relevant for the human resources function:

## 2. Human Resource Oversight Statistics

**Table 27: Personnel cost by programme**

PROGRAMME	TOTAL EXPENDITURE FOR THE ENTITY (R'000)	PERSONNEL EXPENDITURE (R'000)	PERSONNEL EXP. AS A % OF EXP. (R'000)	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Administration	101 189	57 320	56.65%	78	780
Regulatory Services	16 030	14 421	89.96%	36	687
Profiling	11 845	9 407	79.41%	24	985
Stakeholder Management	42 680	10 259	24.04%	13	855
Research and Development	24 536	19 485	79.41%	13	496
<b>Total</b>	<b>196 280</b>	<b>110 892</b>	<b>56.50%</b>	<b>164</b>	

\* Administration (CEO's Office, COO's Office, Corporate Services, Finance and ICT)

**Table 28: Personnel cost by salary band**

LEVEL	PERSONNEL EXPENDITURE (R'000)	% OF PERSONNEL EXP. TO TOTAL PERSONNEL COST	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
<i>*Board of Directors</i>				
Top Management	15 926	14.36%	8	1, 991
Senior Management	20 335	18.34%	17	1, 196
Professional qualified	38 570	34.78%	36	1, 071
Skilled	22 253	20.07%	57	390
Semi-skilled	12 971	11.70%	40	324
Unskilled	837	0.75%	6	140
<b>Total</b>	<b>110 892</b>	<b>100%</b>	<b>164</b>	



Table 29: Performance Rewards

PROGRAMME	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE (R'000)	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST (R'000)
Top Management	1396	15,926	8.77%
Senior Management	876	20,335	4.31%
Professional qualified	1662	38,570	4.31%
Skilled	959	22,253	4.31%
Semi-skilled	559	12,971	4.31%
Unskilled	36	837	4.31%
<b>Total</b>	<b>5,489</b>	<b>110,892</b>	<b>4.95%</b>

Table 30: Training costs

DIRECTORATE/BUSINESS UNIT	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST	NO. OF EMPLOYEES TRAINED	AVERAGE TRAINING COST PER EMPLOYEE
Administration	57,320	1,315	2.29%	75	14
Regulatory Services	14,421	126	0.87%	21	-
Profiling	9,407	69	0.73%	14	5
Stakeholder Management	10,259	11	0.11%	12	1
Research and Development	19,485	55	0.28%	29	2
<b>Total</b>	<b>110,892</b>	<b>1,576</b>		<b>151</b>	

Table 31: Employment and vacancies per programme

PROGRAMME	2016/17 NO. OF EMPLOYEES	APPROVED POSTS	2017/18 NO. OF EMPLOYEES	2017/18 VACANCIES	% OF VACANCIES
Administration	84	113	78	33	19.46%
Regulatory Services	36	48	36	12	4.16%
Profiling	149	18	24	14	16.66%
Stakeholder Relations	13	17	13	5	5.88%
Research and Development	8	43	13	8	16.27%
<b>Total</b>	<b>290</b>	<b>239</b>	<b>164</b>	<b>72</b>	<b>14.64%</b>

**Table 32: Employment and vacancies level**

LEVEL	2016/17 NO. OF EMPLOYEES	APPROVED POSTS	2017/18 NO. OF EMPLOYEES	2017/18 VACANCIES	% OF VACANCIES
Top Management	7	10	8	2	20%
Senior Management	14	19	17	6	31.57%
Professional qualified	34	60	36	11	18.33%
Skilled	222	98	57	16	16.32%
Semi-skilled	1	52	40	0	0
Unskilled	12	0	6	0	0
<b>Total</b>	<b>290</b>	<b>239</b>	<b>164</b>	<b>35</b>	<b>14.64%</b>

\* The recruitment for the vacancies have been prioritised and spaced over a period of three years.

**Table 33: Employment changes**

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top Management	7	3	2	8
Senior Management	14	6	1	17
Professional qualified	34	7	3	36
Skilled	222	7	6	57
Semi-skilled	1	2	1	40
Unskilled	12	0	0	6
<b>Total</b>	<b>290</b>	<b>25</b>	<b>13</b>	<b>164</b>

\* 138 RTI personnel were transferred to RTMC as at 01 April 2017.

**Table 34: Reasons for staff leaving**

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	0	0
Resignation	10	6.09%
Dismissal	0	0
Retirement	0	0
Ill-health	0	0
Expiry of contract	3	1.82%
Other	0	0
<b>Total</b>	<b>13</b>	<b>7.91%</b>





Table 35: Labour relations: misconduct and disciplinary action

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	1
Written Warning	0
Final Written Warning	1
Dismissal	0
Suspension without pay	1
Demotion	1

Table 36: Equity target and employment equity status (Male)

LEVELS	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	4	0	1	0	0	0	0	0
Senior Management	7	1	0	1	0	0	2	0
Professional qualified	16	3	1	1	1	1	2	0
Skilled	17	1	2	0	1	0	0	0
Semi-skilled	6	0	0	0	0	0	0	0
Unskilled	12	0	0	0	0	0	0	0
<b>TOTAL</b>	52	4	4	2	2	1	4	0

Table 37: Equity target and employment equity status (Female)

LEVELS	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	3	0	0	0	0	0	0	1
Senior Management	6	1	0	1	2	0	0	1
Professional qualified	13	3	1	1	0	0	2	0
Skilled	35	2	2	1	1	1	1	0
Semi-skilled	26	0	2	0	0	0	4	0
Unskilled	4	0	0	0	0	0	0	0
<b>TOTAL</b>	87	6	5	3	3	1	7	2

Table 38: Disabled Staff Stats

LEVELS	DISABLED STAFF			
	MALE		FEMALE	
	CURRENT	TARGET	CURRENT	TARGET
Senior Management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	0	1	0	2
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
<b>TOTAL</b>	0	1	0	2



PART



**FINANCIAL  
INFORMATION**



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## Abbreviations

<b>C-BRTA (the Agency)</b>	Cross-Border Road Transport Agency
<b>RTMC</b>	Road Traffic Management Corporation
<b>FNB</b>	First National Bank (South Africa)
<b>SA GAAP</b>	South African Statements of Generally Accepted Accounting Practice
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>PFMA</b>	Public Finance Management Act (Number 1 of 1999)
<b>IFRS</b>	International Financial Reporting Standards
<b>IAS</b>	International Accounting Standards
<b>TR</b>	Treasury Regulations (of the PFMA)
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>AGSA</b>	Auditor-General of South Africa
<b>AFS</b>	Annual Financial Statements
<b>ARC</b>	Audit and Risk Committee (of the board)
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>SARS</b>	South African Revenue Services

## Accounting Authority's responsibilities and Approval

The Accounting Authority are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the Agency as at the end of the financial year and the results of its operations and cash flows for the period then ended. The Auditor General of South Africa is engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

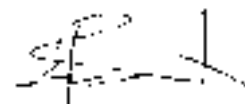
The Accounting Authority acknowledges that it is ultimately responsible for the system of internal financial control established by the Agency and place considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, it sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Agency and all employees are required to maintain the highest ethical standards in ensuring the Agency's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Agency is on identifying, assessing, managing and monitoring all known forms of risk across the Agency. While operating risk cannot be fully eliminated, the Agency endeavours to minimise it by ensuring that appropriate controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficiencies.

The Accounting Authority has reviewed the Agency's cash flow forecast for the year to 31 March 2019 and, in light of this review and the current financial position, it is satisfied that the Agency has or has access to adequate resources to continue in operational existence for the foreseeable future. While the Agency has lost the Constitutional Court matter in 2015 that compelled it to refund some cross border road transport operators a portion of their permit fees from the permit revenue collected between April 2011 and November 2013 and the balance of its liabilities exceeded assets as at year end, the Agency was able to refund operators who submitted claims for refunds within the prescription period of three years. The remaining balance not claimed within the prescription period of three years will be prescribing in terms of Prescription Act, 68 of 1969 and will result in the Agency's assets exceeding its liabilities.

The annual financial statements are prepared on the basis that the Agency is a going concern. The external auditors are responsible for independently reviewing and reporting on the Agency's annual financial statements. The annual financial statements have been examined by the Auditor General of South Africa and their report is presented on page 69.

The annual financial statements set out on page 73 to 109, which have been prepared on the going concern basis, were approved by the Accounting Authority on 30 July 2018 and were signed on its behalf by:



**Mr M Ramathe**  
Chairperson of the Board  
Pretoria



**Mr S G Khumalo**  
Chief Executive Officer  
Pretoria



## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Cross - Border Road Transport Agency (CBRTA) set out on pages 73 to 109 which comprise the statement of financial position as at 31 March 2018, and the statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget information with actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the CBRTA as at 31 March 2018, 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)

### Basis for opinion

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

### Emphasis of matters

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

### Uncertainty relating the outcome of exceptional litigation

7. As disclosed in note 24 to the financial statements, the entity is the defendant in a litigation matter pertaining to the 2014 permit tariffs regulations. The entity is opposing the application for the setting aside of these Regulations. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

### Principal Agent relationship with the Road Traffic Management Corporation

8. As disclosed in note 25 to the financial statements, Road Traffic Management Corporation (RTMC) was appointed to perform the law enforcement function (road transport inspectorate) on behalf of the agency.

### Events after the reporting date

9. As disclosed in note 31 to the financial statements, on 12 May 2018 the Agency has applied the provisions of Prescription Act, 68 of 1969, in respect of the provision for refund claims of R164 021 935.

### Other matter

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

### Constitution of the accounting authority

11. The constitution of the accounting authority is not compliant with section 5(2)(c) (i) and (ii) of the act which requires that the accounting authority should have two members with technical expertise in the cross-border road transport of passenger and two members with technical expertise in the cross-border road transport of freight.

### Responsibilities of 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 SA Standards of GRAP and the requirements of the PFMA, 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 Cross - Border Road Transport Agency's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

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.

**Report on the audit of the Annual Performance 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 material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
17. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
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 programmes presented in the annual performance report of the entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 2 - Regulatory Services	30 – 33
Programme 3 - Profiling Services	34 – 35
Programme 4 - Stakeholder Management	36 – 42
Programme 5 - Research and Advisory Services	43 – 45

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. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:
- Programme 2 - Regulatory Services
  - Programme 3 - Profiling
  - Programme 4 - Stakeholder Management
  - Programme 5 - Research and Advisory Services

**Other matter**

21. I draw attention to the matter below.

**Achievement of planned targets**

22. Refer to the annual performance report on pages 24 to 45 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a number of targets.

## Report on the audit of compliance with legislation

### Introduction and scope

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

### Other information

25. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. 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.
26. 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.
27. 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.

If, based on the work I have performed, I conclude that there is a material misstatement in this other information; I am required to report that fact. I have nothing to report in this regard.

### Internal control deficiencies

28. 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. I did not identify any significant deficiencies in internal control.

### Other reports

29. I draw attention to the following engagements conducted by various parties that 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.
30. There was a preliminary investigation regarding allegations against a key management official. The entity is still in the process of reviewing the findings identified.

*Auditor - General*

### Pretoria

31 July 2018



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected 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 accounting authority
  - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Cross - Border Road Transport Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease continuing as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

**Communication with those charged with governance**

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

## Statement of Financial Position as at 31 March 2018

	NOTE(S)	2018 R	2017 R
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	6	1,348,345	1,565,143
Receivables from non exchange transactions	7	6,130,443	4,350,604
Cash and cash equivalents	8	63,489,647	63,906,034
		<b>70,968,435</b>	<b>69,821,781</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	7,489,083	7,698,663
Intangible assets	4	1,314,402	248,529
		<b>8,803,485</b>	<b>7,947,192</b>
<b>Total assets</b>		<b>79,771,920</b>	<b>77,768,973</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Operating lease liability	20	114,896	159,555
Payables from exchange transactions	11	23,107,963	23,365,110
Provisions	9	170,300,466	203,299,904
Payables from non exchange transactions	10	6,044,416	26,539,809
		<b>199,567,741</b>	<b>253,364,378</b>
<b>Non-current liabilities</b>			
Operating lease liability	20	804,134	-
Employee benefit obligation	5	3,860,000	2,612,000
		<b>4,664,134</b>	<b>2,612,000</b>
<b>Total Liabilities</b>		<b>204,231,875</b>	<b>255,976,378</b>
<b>Net Assets</b>		<b>(124,459,955)</b>	<b>(178,207,405)</b>
<b>Accumulated surplus (deficit)</b>		<b>(124,459,955)</b>	<b>(178,207,405)</b>

## Statement of Financial Performance as at 31 March 2018

	NOTE(S)	2018 R	2017 R
<b>Revenue from non-exchange transactions</b>	12	243,573,985	224,971,698
Other income	13	3,247,583	8,000,771
General expenses	18	(67,087,531)	(46,193,073)
Employee costs	15	(110,892,311)	(138,723,409)
Depreciation, amortisation and impairments		(3,023,451)	(2,574,742)
Operating lease rental	20	(10,917,652)	(9,685,506)
Debt impairment	17	(4,070,924)	(1,487,754)
<b>Operating surplus</b>	21	<b>50,829,699</b>	<b>34,307,985</b>
Interest received	14	4,560,825	6,685,033
Finance costs	16	(287,676)	(262,000)
<b>Surplus for the year</b>		<b>55,102,848</b>	<b>40,731,018</b>



## Statement of Changes in Net Assets

	ACCUMULATED DEFICIT R	TOTAL NET ASSETS R
Opening balance as previously reported	(220,335,199)	(220,335,199)
Adjustments		
Change in accounting policy (Note 28)	1,396,776	1,396,776
<b>Balance at 01 April 2016 as restated*</b>	<b>(218,938,423)</b>	<b>(218,938,423)</b>
Changes in net assets		
Surplus for the year	40,731,018	40,731,018
Opening balance as previously reported	(181,490,512)	(181,490,512)
Adjustments		
Change in accounting policy (Note 28)	3,283,107	3,283,107
<b>Balance at 01 April 2017 as restated*</b>	<b>(178,207,405)</b>	<b>(178,207,405)</b>
Changes in net assets		
Transfer of assets (Note 3)	(1,355,398)	(1,355,398)
Surplus for the year	55,102,848	55,102,848
Total changes	53,747,450	53,747,450
<b>Balance at 31 March 2018</b>	<b>(124,459,955)</b>	<b>(124,459,955)</b>

## Cash Flow Statement

	NOTE(S)	2018 R	2017 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		245,258,527	221,834,543
<b>Payments</b>			
Employee costs		(110,129,597)	(136,948,377)
Suppliers		(102,356,848)	(53,823,700)
Permit refunds		(32,514,152)	(84,608,240)
		(245,000,597)	(275,380,317)
<b>Net cash flows from operating activities</b>	22	<b>257,930</b>	<b>(53,545,774)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(3,916,547)	(1,379,211)
Purchase of other intangible assets	4	(1,318,595)	(89,393)
Interest income		4,560,825	6,685,033
<b>Net cash flows from investing activities</b>		<b>(674,317)</b>	<b>5,216,429</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		<b>(416,387)</b>	<b>(48,329,345)</b>
Cash and cash equivalents at the beginning of the year		63,906,034	112,235,379
<b>Cash and cash equivalents at the end of the year</b>	8	<b>63,489,647</b>	<b>63,906,034</b>

## Statement of Comparison of Budget and Actual Amounts

BUDGET ON ACCRUAL BASIS	APPROVED BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL AMOUNTS ON COMPARABLE BASIS R	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL R	REFERENCE
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from non-exchange transactions</b>						
Permit revenue	211,377,792	-	<b>211,377,792</b>	213,599,874	<b>2,222,082</b>	Comment (a)
Other income	463,210	-	<b>463,210</b>	3,247,583	<b>2,784,373</b>	Comment (b)
Interest received - investment	3,020,072	-	<b>3,020,072</b>	4,560,825	<b>1,540,753</b>	Comment (c)
<b>Total permit revenue and interest</b>	<b>214,861,074</b>	-	<b>214,861,074</b>	<b>221,408,282</b>	<b>6,547,208</b>	
<b>Penalty income</b>						
Fines	-	-	-	29,974,111	<b>29,974,111</b>	Comment (d)
<b>Total revenue</b>	<b>214,861,074</b>	-	<b>214,861,074</b>	<b>251,382,393</b>	<b>36,521,319</b>	
<b>Expenditure</b>						
Employee costs	(127,889,015)	-	<b>(127,889,015)</b>	(110,892,311)	<b>16,996,704</b>	Comment (e)
Operating costs	(81,511,316)	-	<b>(81,511,316)</b>	(82,363,783)	<b>(852,467)</b>	Comment (f)
Depreciation and amortisation	(5,460,743)	-	<b>(5,460,743)</b>	(2,949,597)	<b>2,511,146</b>	Comment (g)
<b>Total expenditure</b>	<b>(214,861,074)</b>	-	<b>(214,861,074)</b>	<b>(196,205,691)</b>	<b>18,655,383</b>	
<b>Operating surplus</b>	-	-	-	<b>55,176,702</b>	<b>55,176,702</b>	
Assets written-off and impaired	-	-	-	(73,854)	<b>(73,854)</b>	
<b>Surplus before taxation</b>	-	-	-	<b>55,102,848</b>	<b>55,102,848</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	-	-	-	<b>55,102,848</b>	<b>55,102,848</b>	

## Statement of Comparison of Budget and Actual Amounts

**(a) Permit revenue**

The Agency had anticipated an increase in permit tariffs in line with the Consumer Price Index, however the proposal did not materialise during the financial year under review leading to the Agency missing its budget permit revenue by 8%. However, the Agency wrote back R19,9 million to revenue as a result of prescription of provision previously made in respect of permit fees, which resulted in the actual revenue exceeding the budget.

**(b) Other income**

Other income consists of various charges such as postage, compliance certificates etc, which are not part of the revenue. The actual other income includes the provision for claims in respect of five year permits, which have been waived by the operator claimants and consequently not claimed by the operators. This was not budgeted for, hence the actual income exceeded the budget.

**(c) Interest received on investments**

Interest earned on investments of surplus funds exceeded the budget for the financial year under review. This was due to higher levels of liquidity than anticipated as a result of low levels of operators who applied for refunds.

**(d) Fines**

Fines were not budgeted for in respect of the financial year under review. This was due to the reorganisation of functions during the financial year.

**(e) Employee costs**

These are made up of gross remuneration, pension contributions, the 13th cheque savings, medical costs, UIF and other staff related costs. Overall, R16.9 million was saved on staff costs due to some funded positions that were not filled. Due to cash flow constraints and the need to continue servicing the operator claims, only critical positions were filled in the 2017/18 financial year.

**(f) Operating costs**

Operating costs consist of general expenditure incurred for the year. This expenditure was slightly more than budgeted for. This was mainly due to reorganisation of functions of the law enforcement during the year.

**(g) Depreciation and amortisation**

Depreciation and amortisation was significantly below the budget. This was due to lower capital expenditure and acquisition of non-current assets.

# Accounting Policies

## 1. Basis of preparation and presentation of the 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.

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

### Recognition of Penalty Income

The recognition of penalty income is based on all information available to management at the reporting date. In line with GRAP 23, it is treated as revenue from non-exchange transactions.

### Defined benefit obligations

The value of benefit obligations is determined by actuaries and based on the market conditions as well as assumptions at the reporting date.

### Fair value

The value for which an asset could be exchanged or a liability settled in a market-related transaction.

### Use of estimates and judgements

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

### Judgements

In the process of applying these accounting policies, management has made judgements as outlined in note 1.4.

### Estimates

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

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, except for the recognition of penalty income.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Comparatives Prior year

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

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

## Accounting Policies (cont.)

**Budget comparatives**

Budget information in accordance with GRAP 1 and 24 has been provided in a separate disclosure note to these annual financial statements.

**1.4 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:

**Trade receivables and other receivables**

The Agency assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

The measurement of receivables is derived after consideration of the allowances for doubtful debts. Amounts receivable outstanding for more than 12 months are deemed to be impaired and a provision is made accordingly.

**Fair value estimation**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Agency uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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 Agency for similar financial instruments.

**Impairment testing**

The Agency reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

A provision is recognised when the Agency has a legal or constructive obligation arising from a past event that will probably be settled, and a reliable estimate of the amount can be made. Long term provisions are determined by discounting the expected future cash flows to their present value. The increase in discounted long term provisions as a result of the passage of time is recognised as a finance expense in the statement of financial performance. Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 9 - Provisions.

**Depreciation and amortisation**

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life.

**Trade and other payables**

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

**Post retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in



determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The Agency determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the medical aid obligations. In determining the appropriate discount rate, the Agency considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related post employment medical aid liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 5.

### **Effective interest rate**

The Agency used the average interest rate of 9% - 11% to discount future cash flows. The rate was influenced by the prevailing current prime rates as well as the yield of the government bonds during the year.

Allowance for doubtful debts

On receivables 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.

## **1.5 Property, plant and equipment**

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

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

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

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

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

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

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

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

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

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

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

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

## Accounting Policies (cont.)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 - 12 years
Motor vehicles	Straight line	4 - 7 years
Office equipment	Straight line	5 - 12 years
IT equipment	Straight line	3 - 9 years
Leasehold improvements	Straight line	lease period
Signage	Straight line	10 - 15 years

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

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 derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

### 1.6 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 Agency 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 Agency; and
- the cost or fair value of the asset can be measured reliably.

The Agency 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.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.

- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	1 - 12 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

## 1.7 Financial instruments

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

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

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

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

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

## Accounting Policies (cont.)

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 Agency 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 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 Agency.

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.

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 counterparty has failed to make a payment when contractually due.

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 amortised cost or financial instruments at cost.

## Classification

The Agency has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Employee related receivables	Financial asset measured at fair value
Cash and cash equivalents	Financial asset measured at amortised cost

The Agency has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Operating Lease liability	Financial liability measured at amortised cost
Payables (exchange transactions)	Financial liability measured at amortised cost
Other payables (non-exchange transactions)	Financial liability measured at amortised cost
Retirement benefit obligations	Financial liability measured at amortised cost

## Initial recognition

The Agency recognises a financial asset or a financial liability in its statement of financial position when the Agency becomes a party to the contractual provisions of the instrument.

The Agency recognises financial assets using trade date accounting.

## Initial measurement of financial assets and financial liabilities

The Agency measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Agency measures a financial asset and financial liability initially at its fair value.

## Subsequent measurement of financial assets and financial liabilities

The Agency measures all financial assets and financial liabilities after initial recognition using the following categories:

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

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

## Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Agency establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an Agency calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.



## Accounting Policies (cont.)

**Reclassification**

The Agency does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the Agency reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

**Gains and losses**

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

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

**Impairment and uncollectibility of financial assets**

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

**Financial assets measured at amortised cost:**

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the

impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

**Derecognition****Financial assets**

The Agency derecognises financial assets using trade date accounting.

The Agency derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the Agency transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Agency, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Agency :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the Agency recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

## Financial liabilities

The Agency removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished:

i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

## Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Agency currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Agency does not offset the transferred asset and the associated liability.

## Receivables from non exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in Surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 12 months overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in Surplus or deficit within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in Surplus or deficit.

## Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

## Cash and cash equivalents

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

## 1.8 Tax

### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

The Agency is exempted from Corporate Tax obligations in line with section 10 (1)(A)(i) of the Income Tax, 1962 (Act number 58 of 1962).

## Accounting Policies (cont.)

**1.9 Leases**

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

When a lease includes both land and buildings elements, the Agency assesses the classification of each element separately.

**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.

**1.10 Inventories**

The Agency keeps no material inventories. The items of stationery and computer consumables are expensed immediately once purchased.

**1.11 Segment information**

The Agency is organised and reports on the basis of five programmes namely: administration, regulatory services, profiling services, stakeholder management as well as research and advisory

services. These programmes are treated as cost centres for the purposes of cost control and resource allocation, the existing set up and operations do not warrant segmental reporting.

**1.12 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.

## Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The Agency assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the Agency estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

## Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the Agency recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

## Reversal of an impairment loss

The Agency assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Agency estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

## 1.13 Employee benefits Short-term employee benefits

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

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

## Accounting Policies (cont.)

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

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

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

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

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

### 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.

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 Agency measures 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 Agency recognises the expected cost of bonus, incentive and performance related payments when the Agency 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 the Agency provides post-employment benefits for one or more employees.

### Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Agency pays fixed contributions into a separate Agency (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the Agency during a reporting period, the Agency recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the Agency recognises 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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

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

### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the Agency is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

### Other post retirement obligations

The Agency provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

#### 1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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



## Accounting Policies (cont.)

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

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

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

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

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

### 1.15 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.

### 1.16 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.

### Courier and priority mail

Revenue is recognised on receipt of charges from the operators and measured on the basis of the receipted amount.

### Measurement

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

### Interest received

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 Agency, and
- The amount of the revenue can be measured reliably.

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

### 1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an Agency, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the Agency can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Fines are economic benefits or service potential received or receivable by the Agency, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

#### Permit issue fees

Revenue is recognised on the issuing of permits and measured based on regulated tariffs in accordance with the Cross-Border Road Transport Agency Act (Act No. 4 of 1998). Permit fees are treated as revenue from non-exchange transactions in line with GRAP 23.

#### Application fees

Application fees are non-refundable and recognised on receipt of amounts.

### Penalty revenue

Penalties are economic benefits received by entities / agencies as determined by a court or other law enforcement body as a consequence of the breach of laws or regulations. Revenue from penalty income is recognised when notices are issued. Assets arising from issued fines are measured at the best estimate of the inflow of resources to the Agency.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Agency satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

### 1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

## Accounting Policies (cont.)

**1.19 Comparative figures**

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

**1.20 Fruitless and wasteful expenditure**

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

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

**1.21 Irregular expenditure**

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

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

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

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

**1.22 Research and development expenditure**

Expenditure on research is recognised as an expense when it is incurred. An asset arising from development 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.

**1.23 Budget information**

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

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

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

The approved budget covers the fiscal period from 01/04/2017 to 31/03/2018.

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.

## 1.24 Related parties

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

Management are those persons responsible for planning, directing and controlling the activities of the Agency, including those charged with the governance of the Agency 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 Agency.

Transactions with related parties are disclosed.

## 1.25 Events after the reporting date

Monetary and non-monetary transactions with a significant impact to the performance, position or functioning of the Agency after the reporting date are brought to the attention of users of financial statements.

## 2. New standards and interpretations

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

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

GRAP 105 - Transfer of Functions Between Entities under Common Control, effective 01 April 2017

### 2.2 Standards and Interpretations early adopted

The Agency has chosen to early adopt the following standards and interpretations:

GRAP 109 - Accounting by Principals and Agents, effective 01 April 2019

### 2.3 Standards and interpretations issued, but not yet effective

The Agency has not applied the following standards and interpretations, which have been published and are mandatory for the Agency's accounting periods beginning on or after 01 April 2018 or later periods:

GRAP 108 - Statutory Receivables, effective 01 April 2019

GRAP 20 - Related Parties, effective 01 April 2019

## Notes to the Annual Financial Statements (cont.)

## 3. Property, plant and equipment

	2018			2017		
	COST/VALUATION R	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT R	CARRYING VALUE R	COST/VALUATION R	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT R	CARRYING VALUE R
Furniture and fixtures	3,539,381	(1,914,750)	1,624,631	4,612,092	(1,943,843)	2,668,249
Office equipment	3,006,201	(2,186,157)	820,044	3,924,625	(2,428,522)	1,496,103
Computer equipment	9,424,663	(4,549,589)	4,875,074	8,673,177	(5,638,472)	3,034,705
Leasehold improvements	6,720,877	(6,628,185)	92,692	6,720,877	(6,577,626)	143,251
Motor Vehicles	479,846	(432,133)	47,713	801,215	(494,657)	306,558
Signage	56,075	(27,146)	28,929	79,474	(29,677)	49,797
<b>Total</b>	<b>23,227,043</b>	<b>(15,737,960)</b>	<b>7,489,083</b>	<b>24,811,460</b>	<b>(17,112,797)</b>	<b>7,698,663</b>

## Reconciliation of property, plant and equipment - 2018

	OPENING BALANCE R	ADDITIONS R	DISPOSALS R	TRANSFERS R	DEPRECIATION R	IMPAIRMENT LOSS R	TOTAL R
Furniture and fixtures	2,668,249	-	-	(646,486)	(317,394)	(79,738)	1,624,631
Office equipment	1,496,103	262,655	-	(275,809)	(438,122)	(224,783)	820,044
Computer equipment	3,034,705	3,653,892	(73,854)	(208,724)	(1,113,599)	(417,346)	4,875,074
Leasehold improvements	143,251	-	-	-	(50,559)	-	92,692
Motor Vehicles	306,558	-	-	(224,379)	(34,466)	-	47,713
Signage	49,797	-	-	-	(3,738)	(17,130)	28,929
	<b>7,698,663</b>	<b>3,916,547</b>	<b>(73,854)</b>	<b>(1,355,398)</b>	<b>(1,957,878)</b>	<b>(738,997)</b>	<b>7,489,083</b>

## Reconciliation of property, plant and equipment - 2017

	OPENING BALANCE R	ADDITIONS R	DISPOSALS R	DE-RECOGNITION (IMPAIRED) R	DEPRECIATION R	TOTAL R
Furniture and fixtures	2,918,149	16,000	-	-	(265,900)	2,668,249
Office equipment	2,056,977	115,052	(5,135)	(1,483)	(669,308)	1,496,103
Computer equipment	2,890,736	1,240,579	(60,698)	(23,922)	(1,011,990)	3,034,705
Leasehold improvements	193,810	-	-	-	(50,559)	143,251
Motor Vehicles	377,630	7,580	-	-	(78,652)	306,558
Signage	54,639	-	-	-	(4,842)	49,797
	<b>8,491,941</b>	<b>1,379,211</b>	<b>(65,833)</b>	<b>(25,405)</b>	<b>(2,081,251)</b>	<b>7,698,663</b>

#### 4. Intangible assets

	2018			2017		
	COST/VALUATION R	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT R	CARRYING VALUE R	COST/VALUATION R	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT R	CARRYING VALUE R
Computer software	5,365,956	(4,051,554)	1,314,402	4,802,471	(4,553,942)	248,529

#### Reconciliation of intangible assets - 2018

	OPENING BALANCE R	ADDITIONS R	AMORTISATION R	TOTAL R
Computer software	248,529	1,318,595	(252,722)	1,314,402

#### Reconciliation of intangible assets - 2017

	OPENING BALANCE R	ADDITIONS R	AMORTISATION R	TOTAL R
Computer software	627,223	89,393	(468,087)	248,529



## Notes to the Annual Financial Statements (cont.)

## 5. Employee benefit obligations

**Defined benefit plan**

The Agency has in place a post employment medical benefit plan to which 15 members (2017: 15 members) belong. It is made up of members of the Government Employee Medical Scheme as well as Medihelp.

The most recent actuarial valuations of the post medical benefit obligation were carried out on 31 March 2018 by Mr. N. Fourie, a fellow of the Faculty of Actuaries of South Africa. The present value of the post medical aid obligation, and the related current service costs, were measured using the projected unit credit method.

**Post retirement medical aid plan**

The plan and liability is with respect to members transferred to RTMC as well as existing continuing members who are no longer in the employ of the Agency who qualify for continuation health care costs. The employees receive a fixed subsidy of R2, 397 per month towards their medical aid subscriptions, regardless of the member's marital status, number of children or the medical aid the member belongs to. The subsidy amount will only increase when the government increases the capped amount. Medical inflation is expected to exceed general inflation by 1% per annum in the long term.

The liability as calculated by the actuaries is an estimate of the cost of these subsidies, based on assumptions regarding the future experience, and does not influence the actual cost of the subsidies. The actual cost will be determined by the actual experience in the future.

**The amounts recognised in the statement of financial position are as follows:**

	2018 R	2017 R
<b>Carrying value</b>		
Present value of the defined benefit obligation-wholly unfunded	(3,860,000)	(2,632,000)
Present value of the defined benefit obligation-partly or wholly funded	-	20,000
	<b>(3,860,000)</b>	<b>(2,612,000)</b>

	2018 R	2017 R
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The valuation results show a liability in respect of accrued service equal to R3,860,000 (2017: 2,612,000). Total interest cost and service costs for the period from 1 April 2017 to 31 March 2018 were R287,676 and R10,980 respectively. The liability is a long term estimation of amounts due from the Agency towards its obligation (subsidy) to the affected members. There are no plan assets to meet the obligation. The contribution by the employer towards the 15 employees is limited to R2,397 per retired employee per month.

**Changes in the present value of the defined benefit obligation are as follows:**

Opening balance	(2,612,000)	(2,632,000)
Benefits paid	214,845	214,845
Net expense recognised in the statement of financial performance	(1,462,845)	(194,000)
	<b>(3,860,000)</b>	<b>(2,612,000)</b>

**Net expense recognised in the statement of financial performance**

Current service cost	(10,980)	(10,000)
Interest cost	(287,676)	(262,000)
Actuarial (gains) losses	(1,164,189)	78,000
	<b>(1,462,845)</b>	<b>(194,000)</b>

**Key assumptions used**

Assumptions used at the reporting date:

Discount rates used	Yield curve	9.80 %
Medical cost trend rates	CPI + 1%	10.34 %
Expected increase in salaries	7.34 %	7.34 %

A nominal and real zero curves as at 8 March 2018 supplied by the JSE was used to determine a discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations.

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. These increases are considered not to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

#### Defined contribution plan

It is the policy of the Agency to provide retirement benefits to all its permanent employees. A defined contribution provident fund, and a pension fund all of which are subject to the Pensions Fund Act, 1956 (Act No. 24 of 1956) exist for this purpose.

The Agency is under no obligation to cover any unfunded benefits.

### 6. Receivables from exchange transactions

	2018 R	2017 R
Deposits, prepayments and advances	1,348,345	1,565,143

Deposits are amounts paid as surety to service providers as well as prepayments and deferred expenditure for services still to be received such as licence fees paid in advance.

An analysis of these financial assets has been performed individually to assess any levels of impairment. The services from the service providers are on-going. The Agency holds no collateral on the financial assets.

### 7. Receivables from non-exchange transactions

	2018 R	2017 R
Penalty revenue	11,594,117	7,118,351
Other receivables	709	106,143
Staff debtors	66,333	88,614
Provision for impairment	(5,530,716)	(2,962,504)
	<b>6,130,443</b>	<b>4,350,604</b>

Penalty revenue receivables are fines due from courts, whilst staff debtors relate to salary advances taken in the last month of the financial year. Other receivables are amounts due from staff in respect of petty cash transactions.

#### Credit quality of trade and other receivables

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. None of the financial assets that are fully performing have been renegotiated during the year.

#### Receivables from non-exchange transactions Impairments

As of 31 March 2018, an additional trade and other receivables impairment of R2,568,212 (2017: 1,487,754) was provided for impairment. The overall provision balance was therefore increased from R2, 962,504 to R5,530,716 for the year under review.

The impaired debtors were outstanding for more than 12 months.

The creation and release of provision for impaired receivables have been included in operating expenses. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The Agency does not hold any collateral as security.

#### Reconciliation of provision for impairment of receivables from non-exchange transaction

	2018 R	2017 R
Opening balance	2,962,504	1,474,750
Provision for impairment	2,568,212	1,487,754
	<b>5,530,716</b>	<b>2,962,504</b>

The creation and release of provision for impaired receivables have been included in operating expenses. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The Agency does not hold any collateral as security.

## Notes to the Annual Financial Statements (cont.)

## 8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018 R	2017 R
Cash on hand	8,000	20,000
Bank balances	16,513,596	16,605,396
Short-term deposits	46,968,051	47,280,638
	<b>63,489,647</b>	<b>63,906,034</b>

The carrying value as at the end of the period approximate the fair value due to the short-term nature of the financial instrument. Cash equivalents and short-term deposits are placed with high-credit quality financial institutions. The exposure to credit risk is the carrying amount of each class of cash and cash equivalents.

**Credit quality of cash at bank and short term deposits, excluding cash on hand**

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

## 9. Provisions

**Reconciliation of provisions - 2018**

	OPENING BALANCE R	ADDITIONS R	UTILISED DURING THE YEAR R	REVERSED DURING THE YEAR R	TRANFERED/ UNDER / OVER PROVISIONS R	TOTAL R
Provision for permit fees claimable	196,536,087	-	(29,757,641)	(3,019,960)	263,449	164,021,935
Provision for staff performance bonuses	6,593,717	5,489,642	(5,974,928)	-	-	6,108,431
Other provisions	170,100	-	-	-	-	170,100
	<b>203,299,904</b>	<b>5,489,642</b>	<b>(35,732,569)</b>	<b>(3,019,960)</b>	<b>263,449</b>	<b>170,300,466</b>

**Reconciliation of provisions - 2017**

	OPENING BALANCE R	ADDITIONS R	UTILISED DURING THE YEAR R	REVERSED DURING THE YEAR R	TRANFERED/ UNDER / OVER PROVISIONS R	TOTAL R
Provision for permit fees claimable	286,683,231	-	(82,223,170)	(7,660,519)	(263,455)	196,536,087
Provision for staff performance bonuses	13,852,139	6,593,716	(167,980)	(7,571,040)	(6,113,118)	6,593,717
Other provisions	170,100	-	-	-	-	170,100
	<b>300,705,470</b>	<b>6,593,716</b>	<b>(82,391,150)</b>	<b>(15,231,559)</b>	<b>(6,376,573)</b>	<b>203,299,904</b>

**Provision for permit fees claimable**

This provision relates to amounts due to transport operators following the Constitutional Court judgement of 2015. A decision was taken to refund some operators. The amounts were yet to be claimed as at the end of the financial year.

### Provision for staff performance bonuses

The staff performance bonus provision was provided at a maximum of 6% (2017: 6%) of gross basic remuneration for the year ended March 2018. Performance bonus is payable to qualifying employees.

### Other provisions

Other provisions relates to provision for liability in respect of penalty income raised in prior periods which is refundable to operators.

## 10. Payables from non exchange transactions

	2018 R	2017 R
Permit and penalty fees refundable	6,044,416	26,539,809

Payables relate to payments received in advance from operators when they apply for permits.

## 11. Payables from exchange transactions

	2018 R	2017 R
Trade payables	2,168,073	4,901,531
Accrued leave pay	4,266,397	7,104,103
Accrued bonus	824,687	6,312,872
Workman's compensation accrual	420,205	690,210
Related party accrual (Note 26)	15,034,788	-
Other accrued expenses	390,136	525,490
Statutory deductions	3,677	3,830,904
	<b>23,107,963</b>	<b>23,365,110</b>

## 12. Revenue

	2018 R	2017 R
Permit issue fees	172,151,604	155,758,901
Permit application fees	41,448,270	40,499,700
Penalty income	29,974,111	28,713,097
	<b>243,573,985</b>	<b>224,971,698</b>

### The amount included in revenue arising from exchange permit issuance transactions is broken down as follows:

Permit issue fees	172,151,604	155,758,901
Permit application fees	41,448,270	40,499,700
	<b>213,599,874</b>	<b>196,258,601</b>

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

#### Fines

Penalty revenue	29,974,111	28,713,097
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## 13. Other Income

	2018 R	2017 R
Postage, administrative and general item charges	148,095	142,638
Actuarial losses	-	78,000
Insurance refunds	79,528	119,614
Refundable claims (5 year permits)	3,019,960	7,660,519
	<b>3,247,583</b>	<b>8,000,771</b>

## 14. Investment revenue

	2018 R	2017 R
<b>Interest revenue</b>		
Bank	4,560,825	6,685,033

## Notes to the Annual Financial Statements (cont.)

## 15. Employee related costs

	2018 R	2017 R
Basic salaries	84,416,383	108,710,667
Performance bonus (note 9)	5,489,642	(977,324)
Medical aid - company contributions	2,786,760	5,438,019
Unemployment Insurance Fund	304,703	525,695
Workman's Compensation	1,187,114	473,167
Actuarial loss	1,164,189	-
Leave pay provision charge	870,636	1,094,336
Pension and provident fund contribution	10,158,610	15,716,171
Overtime payments	9,924	-
Long-service awards	663,462	499,014
13 <sup>th</sup> cheques	3,301,204	4,790,612
Car allowance	539,496	2,054,034
Danger allowance	-	325,482
Night shift allowance	188	73,536
	<b>110,892,311</b>	<b>138,723,409</b>

## 16. Finance costs

	2018 R	2017 R
Interest charges	287,676	262,000

## 17. Debt impairment

	2018 R	2017 R
Debt impairment / (reversal)	4,070,924	1,487,754

Impairment amount is made up of provisions for long outstanding court remittances due to the Agency as well as notices issued and not yet finalised. The amount expensed is the increase in the financial year under review.

## 18. General expenses

	2018 R	2017 R
Advertising, publicity, marketing and branding	1,359,575	587,015
Audit fees (note 19)	4,104,392	3,137,975
Bank charges	1,627,543	1,667,020
Cleaning & Office supplies	556,357	399,020
Service fee (Note 25)	29,974,111	-
Consulting and legal fees	4,372,494	2,071,426
Discount allowed	18,540	-
Catering and employee wellbeing	1,010,482	636,764
Fines and penalties	212,153	-
Corporate gifts and donations	331,348	197,485
Insurance	201,023	185,251
Conferences and seminars	914,800	391,089
IT expenses	2,807,081	2,351,777
Resource materials, magazines, books and periodicals	(23,229)	27,162
Motor vehicle expenses	5,397	734
Placement fees	271,488	314,927
Printing and stationery	2,057,579	2,460,376
Repairs and maintenance	164,975	214,893
Security	314,615	424,877
Staff welfare	481,020	277,543
Subscriptions, publications and membership fees	38,295	2,267,221
Telephone, cellphones and fax	2,831,029	4,088,523
Training and development	1,576,142	960,251
Travel and accommodation expenses	10,290,335	17,525,164
Small tools	18,962	7,357
Electricity and water	1,218,870	1,265,655
Uniforms	-	498,824
Settlement costs and other	-	3,982,000
Document storage expenses	306,884	236,745
Relocation expenses	45,270	15,999
	<b>67,087,531</b>	<b>46,193,073</b>

## 19. Auditors' remuneration

	2018 R	2017 R
External audit	2,790,946	2,337,635
Internal audit	1,313,446	800,340
	<b>4,104,392</b>	<b>3,137,975</b>

## 20. Operating lease rental

The Agency entered into a major operating lease agreement with Erf 49 Menlyn (Proprietary) Limited for a period ranging from one to five years commencing 01 February 2010 and terminating on 31 January 2015. Additional office space was leased from the same landlord for periods ranging from 13 months to 4 years but all ending 31 January 2015 again. On expiry, the leases were extended for another two years to expire on 31 January 2017, and a further renewal has since been made now contracted to expire end of January 2020. The leases are for buildings one, three, four and five at Glen Manor Office Park, 138 Frikkie de Beer Street, Menlyn, Pretoria.

The significant leasing arrangements include;

- The leases shall escalate annually on 1 February of each year by 9%; and
- The Agency has renewal options and there are no restrictions imposed on the leases.

Further, the Agency has an operating lease for some photocopiers.

The future minimum lease payments are reflected in note 23.

## 21. Operating surplus

Operating surplus for the year is stated after accounting for the following:

	2018 R	2017 R
<b>Operating lease charges</b>		
Premises		
• Contractual amounts	10,917,652	9,685,506
Assets written off and impaired assets	(73,854)	(25,406)
Amortisation on intangible assets	252,722	468,087
Depreciation on property, plant and equipment	2,696,875	2,081,249
Employee costs	110,892,311	138,723,409

## 23. Cash (used in) / generated from operations

	2018 R	2017 R
Surplus	55,102,848	40,731,018
<b>Adjustments for:</b>		
Depreciation and amortisation	2,949,597	2,549,336
De-recognition of non-current assets	73,854	25,406
Finance costs	(4,560,825)	(6,685,033)
Debt impairment	4,070,924	1,487,754
Movements in operating lease assets and accruals	759,475	(139,711)
Movements in retirement benefit assets and liabilities	1,248,000	(20,000)
Movements in provisions	(485,286)	(7,258,422)
Disposal of asset	-	65,833
<b>Changes in working capital:</b>		
Receivables from exchange transactions	216,798	(430,656)
Increase in impairments	(4,070,924)	(1,487,754)
Other receivables from non-exchange transactions	(1,779,839)	(1,571,975)
Payables from exchange transactions	(257,147)	10,609,497
Provisions (non-exchange transactions)	(32,514,152)	(70,764,941)
Payables (non-exchange transactions)	(20,495,393)	(20,656,126)
	<b>257,930</b>	<b>(53,545,774)</b>



## Notes to the Annual Financial Statements (cont.)

## 23. Commitments

**Authorised capital expenditure**

	2018 R	2017 R
<b>Already contracted for but not provided for</b>		
Property, plant and equipment	1,279,631	-
<b>Total capital commitments</b>		
Already contracted for but not provided for	1,279,631	-

**Authorised operating expenditure****Already contracted for but not provided for**

- General expenses	6,760,807	2,863,879
- Internal Audit	440,332	1,753,778
	<b>7,201,139</b>	<b>4,617,657</b>

**Total operational commitments**

Already contracted for but not provided for	7,201,139	4,617,657
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**Authorised operating expenditure****Minimum lease payments due**

- within one year	10,505,117	10,421,212
- in second to fifth year inclusive	9,463,130	20,148,369
	<b>19,968,247</b>	<b>30,569,581</b>

Operating lease payments represent rentals payable by the Agency for certain of its office properties. Leases are negotiated for an average term of two to three years and rentals are escalate at an average of 9% per annum. No contingent rent is payable.

## 24. Contingencies

An employee has filed a claim of defamation against the Agency and is claiming R800,000 (plus legal costs). The matter is being opposed and the Agency's lawyers are confident the matter will be dismissed.

There is also a pending litigation against the Agency lodged by some Cross Border Road Transport Operators against the 2014 permit tariffs Regulations that became effective on the 8th of May 2014. The operators allege that the Regulations are invalid on procedural and substantive grounds. They are seeking that the Regulations be set aside. The Agency is opposing the application for the setting aside of these Regulations.

A member of the public (a Cross Border Road Transport operator) has made a R100,000 claim against the Agency for unlawful arrest. The Agency is defending itself against the claim and management is confident that the chances of the claim succeeding are remote.

In another matter a member of the public is claiming R3.8 million in respect of injury and damages to his motor vehicle having been involved in an accident with one of the Agency's employees. The Agency is again defending itself and believes the chances of the lawsuit succeeding are remote.

**Contingent assets**

Subsequent to the disciplinary proceedings having been initiated against a former employee, civil proceedings have commenced against a supplier to recover an amount of R251,392 (plus legal costs). According to Agency's legal advisors, it is probable that the proceedings will result in the recovery of the full amount.

## 25. Early adoption of GRAP 109: Accounting by Principals and Agents

The Agency has applied GRAP 109, which is an early adoption of standard which is only effective from 01 April 2019. This early adoption will result in more reliable and relevant information about the impact of transactions relating to the principal and agent and events on the entity's financial statements.

At the beginning of the financial year under review, RTMC was appointed to perform the law enforcement function (Road Transport Inspectorate (RTI)) on behalf of the Agency. This was also done in order to utilise existing and established resources (economy of scale) to run the RTI law enforcement function efficiently and effectively, pending the legislative review.

Pursuant to this decision, a binding arrangement was entered into between the Agency and the RTMC in terms of which the latter will undertake the law enforcement function (Road Transport Inspectorate) on behalf of the former with the following significant terms agreed upon:

- The functions of the RTI as provided for in Section 39 of the C-BRT Act, 1998 are now performed by the RTMC
- All the employees of the RTI and their employment contracts were transferred to RTMC, resulting in RTMC being the new employer for the employees concerned.
- RTMC to operationalize the role and functions of the RTI as envisaged in the C-BRT Act, 1998 subject, inter-alia, to the following, at minimum:
- The mandate of the C-BRTA as contained in the C-BRT Act, 1998, remains vested in the C-BRTA
- The Chief Executive Officer of the C-BRTA remains vested with the powers as set forth in Section 37 (1)(a) of the C-BRT Act, 1998, and only personnel appointed as the national RTI by the Chief Executive Officer of the C-BRTA may exercise the powers and perform the functions of the RTI in terms of the C-BRT Act, 1998.
- The powers conferred upon the Board of the C-BRTA generally, and specifically in terms of Section 23 and 37 (2) of the C-BRT Act, 1998, remain vested in the Board of the C-BRTA, and the Board of the C-BRTA may from time to time issue directives to the RTMC in respect of the performance of the RTI function in order to ensure that the Board of the C-BRTA fulfills its mandate as required in terms of the C-BRT Act, 1998.
- The Agency pays the RTMC service fee not exceeding the amount of penalty income collected.
- The C-BRTA transferred certain assets to RTMC. The total value of assets transferred is **R1,355,398 (Note 3)**.

Further to the terms and conditions of the agreement as indicated above, the C-BRTA incurred certain expenses, including operating leases for the regional offices, on behalf of the RTMC as part of the transitional measures. The total amount of the expenses incurred is disclosed in **note 26**.

In terms of the agreement, the following transactions are undertaken by the RTMC with transport operators on behalf of the C- BRTA:

- Inspection and enforcement of road transport rules and regulations;
- Issue of fines and collection of penalty income

The Agency is the Principal in the arrangement and this assessment was based on the fact that the mandate and the responsibility for the function contemplated in section 39 of the C-BRT Act remains with the Agency while the RTMC undertakes the function on its behalf. Also significant is the fact that the Agency directs the RTMC how it should carry this function. Risks associated with the execution of the function remain with the Agency. There are no assets and/or liabilities under custodianship of the RTMC that belong to the Agency. Should the arrangement with RTMC be cancelled, the C-BRTA will recourse the RTI function and fund the function from the penalty income so generated.

Amount incurred by the Agency consist of the following:

	2018 R	2017 R
<b>Service fee</b>		
Administration fee	29,974,111	-

## Notes to the Annual Financial Statements (cont.)

## 26. Related parties

	2018 R	2017 R
<b>Related party balances</b>		
<b>Amounts included in Trade receivable (Trade Payable) regarding related parties</b>		
Government Printing Works	(24,000)	-
RTMC	(15,034,788)	
<b>Related party transactions</b>		
<b>Services rendered by related parties</b>		
Government Printing Works	468,249	245,784
Department of Justice	56,255	449,363
RTMC	29,974,111	-
<b>Expenses incurred on behalf of related parties</b>		
RTMC	2,296,246	-

The Department of Justice provides legal services to the Agency while Government Printing Works supplies sensitive stationery and gazetting. The two entities were set up to provide services to government agencies and departments like the Cross Border Road Transport Agency.

RTMC provides law enforcement function on behalf of the C-BRTA. Furthermore, certain contracts such as leasing of regional offices were honoured by the C-BRTA on behalf of the RTMC as part of the transition process.

## 27. Key Management Information (Directors' emoluments)

### Non-Executive

	EMOLUMENTS R	RE-IMBURSIVE EXPENDITURE R	TOTAL R
<b>2018</b>			
Mr. M Ramathe (Chairperson - appointed 01 May 2016)	205,152	15,432	220,584
Mr. RD Baloyi (appointed 01 May 2016)	167,962	962	168,924
Prof JH Havenga (appointed 01 May 2016)	167,962	6,910	174,872
Mr. MCT Scott (term ended 30 June 2017)	41,991	610	42,601
Mr. LL Thekisho (appointed 01 May 2016)	167,962	610	168,572
Ms. KS Mahlangu (appointed 01 May 2016)	167,962	610	168,572
Ms. DI Sekhonyela (appointed 01 May 2016)	167,962	122	168,084
	<b>1,086,953</b>	<b>25,256</b>	<b>1,112,209</b>

	EMOLUMENTS R	REIMBURSIVE EXPENDITURE R	TOTAL R
<b>2017</b>			
Ms. P Pokane (Chairperson)	160,626	12,353	172,979
Ms. MMD Nkomo	92,870	5,890	98,760
Mr. AN Mhlongo (resigned 30 June 2015)	97,228	6,566	103,794
Mr. TA Bailey (retired 30 June 2016)	52,745	3,660	56,405
Adv SC Letele (resigned 30 September 2015)	145,939	11,106	157,045
Prof WD Thwala (retired 30 April 2014)	145,939	4,736	150,675
Mr. WB Smith	-	347	347
Mr. MCT Scott	159,206	24,084	183,290
Mr. AG Noah (resigned 31 July 2015)	145,939	8,970	154,909
Mr. RC Masemola (appointed 01 September 2015 and retired 30 November 2015)	145,939	5,346	151,285
Mr. JE Mabhida (appointed 01 September 2015 and retired 23 January 2016)	145,939	-	145,939
	<b>1,292,370</b>	<b>83,058</b>	<b>1,375,428</b>

## Notes to the Annual Financial Statements (cont.)

**Remuneration of Executive Management**

	<b>ANNUAL REMUNERATION R</b>	<b>TRAVEL, CAR AND CELLPHONE ALLOWANCE R</b>	<b>PERFORMANCE BONUS AND VARIABLE PORTION R</b>	<b>ACTING ALLOWANCES AND OTHER PAYMENTS R</b>	<b>TOTAL R</b>
<b>2018</b>					
Chief Executive Officer	2,719,296	170,345	249,047	-	3,138,688
Executive: Road Transport Inspectorate - (Transferred to RTMC 1 April 2017)	-	15,745	-	-	15,745
Executive: Regulatory Services	1,569,192	98,427	196,854	-	1,864,473
Chief Financial Officer (resigned 31 July 2017)	404,382	269,122	156,586	-	830,090
Chief Operating Officer (appointed 01 February 2017)	1,761,086	152,515	196,854	141,171	2,251,626
Executive: Corporate Services (appointed 1 April 2017)	1,699,090	25,553	173,939	158,122	2,056,704
Executive: Research and Development	1,448,741	80,644	191,111	174,523	1,895,019
Executive: Stakeholder Relations (appointed 1 June 2017)	1,197,042	100,514	-	-	1,297,556
Executive: Office of the CEO (appointed 1 August 2017)	1,114,584	28,308	-	-	1,142,892
Chief Information Officer (appointed 21 November 2017)	665,388	9,940	-	-	675,328
Chief Information Officer (resigned 31 July 2017)	487,295	28,995	-	68,539	584,829
	<b>13,066,096</b>	<b>980,108</b>	<b>1,164,391</b>	<b>542,355</b>	<b>15,752,950</b>

**Remuneration of Executive Management**

	<b>ANNUAL REMUNERATION R</b>	<b>TRAVEL, CAR AND CELLPHONE ALLOWANCE R</b>	<b>PERFORMANCE BONUS AND VARIABLE PORTION R</b>	<b>ACTING ALLOWANCES AND OTHER PAYMENTS R</b>	<b>TOTAL R</b>
<b>2017</b>					
Chief Executive Officer	2,555,406	65,316	167,980	35,896	2,824,598
Executive: Road Transport Inspectorate	1,829,952	71,988	-	182,317	2,084,257
Executive: Regulatory Services	1,799,280	44,232	-	60,584	1,904,096
Chief Financial Officer	1,499,400	100,380	-	43,641	1,643,421
Chief Operating Officer - (resigned 26 June 2015)	325,279	20,076	-	-	345,355
Executive: Human Resources (appointed 01 July 2015)	882,000	15,983	-	170,404	1,068,387
Executive: Facilitation and Industry Development (appointed 01 May 2015)	1,746,792	29,628	-	155,274	1,931,694
Executive: Corporate Governance	1,589,834	24,066	-	71,745	1,685,645
Chief Information Officer	1,715,580	87,300	-	22,269	1,825,149
	<b>13,943,523</b>	<b>458,969</b>	<b>167,980</b>	<b>742,130</b>	<b>15,312,602</b>

## Service contracts

The Executive Managers are subject to written employment agreements. The employment agreements regulate the duties, remuneration, allowances, restraints, leave and notice periods of these executives. None of these service contracts exceed five years.

## 28. Change in accounting policy

During the financial year under review the Agency changed its accounting policy in respect of the recognition of revenue from penalty income. The revenue from penalty income is now recognised when notices are issued as per IGRAP 1. Previously the penalty income was recognised when notices were finalised by the courts. This change was done in order to ensure more reliable and relevant information about the impact of transactions relating to the penalty income and events on the entity's financial statement. The change has been applied retrospectively and the comparative figures restated accordingly. The effect revision has resulted in the following:

			2018 R	2017 R
Increase in penalty income	-	-	4,520,711	3,283,107
Increase in provision for debt impairment	-	-	(3,283,107)	(1,396,776)
Increase/(decrease) in surplus	-	-	<b>1,237,604</b>	<b>1,886,331</b>

The effect in prior periods is the increase in accumulated surplus(deficit) by R1 396 776

## 29. Risk management

### Financial risk management

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

The Agency's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The Agency does not use derivative financial instruments to hedge risk exposures. Risk management is carried out by management under policies approved by the Accounting Authority.

### Liquidity risk

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

### Interest rate risk

The Agency has some interest-bearing assets in the form of investments in the money market in the form of fixed term deposits. However, its income and operating cash flows are substantially independent of changes in market interest rates.

### Capital risk management

The Agency's objectives when managing capital are to safeguard the Agency's ability to continue as a going concern in order to provide services to the South Africa public and benefits for other stakeholders. The capital structure is currently free of any long term debt except for the retirement benefit obligation relating to medical costs for some former and current employees. As a state owned entity, the Agency has no desire to maintain a highly geared capital structure.

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Agency 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. Most of the Agency's debtors are Magisterial Courts within South Africa.

## 30. Going concern

We draw attention to the fact that at 31 March 2018, the Agency had an accumulated surplus (deficit) of R124,459,955 (**2017: R178,207,405**) and that the Agency's total liabilities exceed its assets by R124,459,955 (**2017: R178,207,405**).

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 excess of liabilities over assets has been due to the Constitutional Court judgement that ruled in favour of some crossborder hauliers and rendered the 2011 Permit Tariff Regulations invalid with effect from 01 April 2011. The judgement was handed down on 12 May 2015 and compelled the Agency to provide for the refunds to affected Cross Border Operators. The Agency is a public entity created by an Act of Parliament (CBRT Act 4 of 1998 as amended) with a sole mandate of



## Notes to the Annual Financial Statements (cont.)

providing for cooperative and coordinated advice, regulation, facilitation and law enforcement in respect of cross border road transport by the public and private sector. The Agency has to date paid or credited R160 million towards these refunds.

The ability of the Agency to continue as a going concern is dependent on the ability of the Agency to meet these obligations as they are lodged. The going concern basis presumes the funds will be available to finance future operations and that the realisation of assets and liabilities and other contingent obligations will occur in the ordinary course of business. The financial statements were prepared on the basis that the Department of Transport has neither the intention nor the need to liquidate nor curtail materially, the scale of the Agency's operations.

The year under review recorded a surplus of R55,102,848 (2017: R40,731,018).

Further the Agency has put in place some contingent measures to ensure going concern. The following are some of the activities the Agency has initiated to ensure it meets its obligations in the foreseeable future:

- In a bid to curtail costs, the Agency has continued to review its discretionary expenditure and reports on its performance against targets on its sustainability targets. Updated cashflow forecasts are being prepared on a regular basis to reflect availability of funds and the impact of these cost containment measures;
- On an on-going basis, the Agency engages with creditors due for refunds for the Agency to be given time to consult and structure its cash-flows. In general, Operators have been agreeing staggered payments over four or more months with no interest accruing to ensure liquidity on the part of the Agency;
- The Executive Authority has been kept up-to-date on the financial situation, especially the liquidity situation which has been satisfactory and is projected to be positive in the foreseeable future;
- Alternative funding models are being considered and will continue to be explored to diversify the revenue basis in line with the founding CBRT Act;
- Cash flow projections are performed monthly to schedule refunds to Operators as would be agreed without affecting the Agency's supplier payments whenever they fall due;
- Prescription of refund provision.

### 31. Events after the reporting date

On 12 May 2018, the Agency applied provisions of Prescription Act, 68 of 1969, in respect of the amount previously provided for as a potential liability in the statement of financial position. The provision was raised following the Constitutional Court judgement that set aside 2011 Permit Tariff Regulations with effect from 01 April 2011.

The effect of the application of the Prescription Act is that from the date of the application of the Act, the provisions of claims raised in the statement of financial position at 31 March 2018 for an amount of **R164,021,935** will be reversed and this will result in the following:

**Decrease** in Provisions from non-exchange transactions R164,021,935

**Increase** in accumulated surplus R164,021,935

### 32. Fruitless and wasteful expenditure

	2018 R	2017 R
Fruitless and wasteful expenditure	28,326	-

Fruitless and wasteful expenditure was incurred as a result of interest charged on late payment of a supplier and legal costs thereof. Disciplinary action has since been taken by the Agency and the full amount recoverable from the official concerned. As at year end, R10 000 was recovered. The balance still due is included as part of staff debtors under note 7.

### 33. Irregular expenditure

	2018 R	2017 R
Opening balance	-	357,738
Less: Amounts condoned	-	(374,613)
Less: Amounts not recoverable (not condoned)	-	16,875
	-	-

### 34. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2018 R	2017 R
Net surplus per the statement of financial performance	55,102,848	40,731,018
<b>Adjusted for:</b>		
Loss on disposal of assets and impairments	73,854	25,406
Finance charges and interest expense	287,676	262,000
Consulting and legal fees	(4,116,724)	(6,087,271)
Other operating and general expenses	(25,292,596)	(4,712,125)
Depreciation and amortisation	(2,511,146)	(5,171,407)
Settlement (Migration) costs	-	3,980,000
Employee costs	(16,996,704)	(27,197,758)
Actuarial (losses) / gains	-	(78,000)
Operator refunds	-	2,000
Under/over recovery of budgeted revenue	(2,222,082)	12,693,450
Other Income over-collected / (under-collected)	(2,784,373)	(8,000,771)
Interest income over-collected / (under-collected)	(1,540,753)	(6,446,542)
<b>Net surplus per approved budget</b>	<b>-</b>	<b>-</b>

### Detailed Income Statement

	NOTE(S)	2018 R	2017 R
<b>Revenue</b>			
Permit issue fees		172,151,604	155,758,901
Permit application fees		41,448,270	40,499,700
Other income		3,247,583	8,000,771
Interest received - investment		4,560,825	6,685,033
Penalty revenue		29,974,111	28,713,097
<b>Total revenue</b>		<b>251,382,393</b>	<b>239,657,502</b>
<b>Expenditure</b>			
Employee related costs	15	(110,892,311)	(138,723,409)
Depreciation and amortisation		(2,949,597)	(2,549,336)
Finance costs and interest	16	(287,676)	(262,000)
Lease rentals on operating lease		(10,917,652)	(9,685,506)
Debt Impairment	17	(4,070,924)	(1,487,754)
General Expenses	18	(67,087,531)	(46,193,073)
<b>Total expenditure</b>		<b>(196,205,691)</b>	<b>(198,901,078)</b>
<b>Operating surplus</b>	21	<b>55,176,702</b>	<b>40,756,424</b>
Assets written off and impaired		(73,854)	(25,406)
<b>Surplus for the year</b>		<b>55,102,848</b>	<b>40,731,018</b>



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