Annual Report

2018-19

Regulation • Facilitation • Law Enforcement • Advisory

CROSS•BORDER
ROAD TRANSPORT AGENCY

NDP 2030

DECADE OF ACTION FOR ROAD SAFETY 2011-2020

Celebrating 20

1998 - 2018

CROSS•BORDER
ROAD TRANSPORT AGENCY

Contents

PART A
GENERAL INFORMATION

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

Nature of business and principal activities	Regulator of Cross-Border Road Transport
Registered office **Business address**	Glen Manor Office Park Building 3 138 Frikkie De Beer Street Menlyn Pretoria South Africa
Postal address	PO Box 560 Menlyn 0063 Pretoria South Africa
Telephone number	+27 12 471 2000
Fax number	+27 12 369 8485
Website address	www.cbrta.co.za
Auditors	Auditor-General of South Africa
Bankers	First National Bank 5th Floor, FNB Menlyn Place Cnr. Lois Avenue and Atterbury Menlyn, Pretoria, South Africa
Company/ Board Secretary	Vincent Mashale (ACIS)

2. List of Abbreviations/Acronyms

AGM	Annual General Meeting
AGSA	Auditor General of South Africa
APP	Annual Performance Plan
ASCBOR	Annual State of Cross Border Operations Report
CBM	Collaborative Border Manager
C-BRTA	Cross-Border Road Transport Agency
C-BRTS	Cross-Border Road Transport System
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
COBIT	Control Objectives for Information and Related Technologies
COO	Chief Operations Officer
COTO	Committee of Transport Officials
COMESA	Common Market for Eastern and Southern Africa
CPIX	Consumer Price Index
DoT	Department of Transport
DPME	Department of Planning, Monitoring and Evaluation
EAC	East African Community
EXCO	Executive Committee
ICT	Information Communication Technology
ITIL	Information Technology Infrastructure Library
JC	Joint Committee
JRMG	Joint Route Management Group
LAP	Linking Africa Plan

MAR	Market Access Regulations
MinMEC	Ministers and Members of Executive Councils Meeting
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NRTA	National Road Traffic Act
NTB	Non-Tariff Barrier
OCAS	Operator Compliance Accreditation Scheme
OGEFREM	Office of the Management of Multimodal Freight
PCOT	Portfolio Committee on Transport
PFMA	Public Finance Management Act
REC	Regional Economic Communities
REMCO	Remuneration Committee
RSA	Republic of South Africa
RTI	Road Transport Inspectorate
RTMC	Road Traffic Management Cooperation
SABOA	South African Bus Operators Association
SACBOA	South African Cross Border Operators Association
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAIPFA	South African International Passenger and Freight Association
SANRAL	South African National Roads Agency
SCM	Supply Chain Management
SMME	Small Medium and Micro Enterprises
TKC	Trans Kalahari Corridor
TVET	Technical Vocational Education and Training

3. Foreword by the Chairperson

Introduction

It is humbling and delightful having led the Cross-Border Road Transport Agency (C-BRTA) in a year in which it celebrated twenty years (20) in existence. The Agency has faced numerous challenges throughout this journey, many of which tested its character and standing and in certain instances threatening its survival and legitimacy. The most prominent of these challenges has been an unsustainable funding regime, with permit revenue being the single source of income for the Agency. It is a pleasant feeling that we can proclaim assuredly that the Agency has been able to successfully navigate through its challenges and implement its bold mandate.

In its twenty years of existence, the Agency has morphed from only licensing commercial cross-border operators to regulating the cross-border road transport industry with a view of championing the seamless cross-border flow of commercial freight and passenger transport between South Africa and the countries of the Southern African Development Community (SADC) by road.

The Agency is well poised to achieve its mandate of regulating the passenger transport operators, liberalising market access for freight transport operators, eliminating impediments that constrain the flow of passengers and goods across the border, reducing operational constraints that have a negative impact on the cross-border road transport industry and building industry partnerships to empower the industry.

The Agency's mandate has positioned it to be a key player necessary for the achievement of an efficient and effective international road transport service in SADC with the intention to enhance regional integration, industrialisation and the economic growth of the region.

3. Foreword by the Chairperson (cont.)

High-level overview of the C-BRTA and performance in the cross-border road transport sector

Pursuant of its strategic goal to facilitate the unimpeded flow of cross-border road transport, the Agency implemented the Market Access Regulatory (MAR) tool. The tool is a scientific mechanism that enables the Agency to consider the demand and supply dynamics on the routes and corridors in its decision making regarding issuance of passenger transport permits. During the year under review, the Regulatory Committee, the Agency's quasi-judicial structure which considers permit applications made use of the tool in its decision making to ensure that the routes are not over-saturated.

The Agency prioritised efforts towards the development of the Operator Compliance Accreditation Scheme (OCAS). The scheme is envisaged to be a useful resource to be used as a predetermined risk profiling system to separate compliant from non-compliant operators with a view of prioritising the seamless movement of compliant operators. This scheme also aims to ensure a high level of compliance to regulatory requirements thereby contributing towards enhanced road safety and the reduction of accidents and fatalities on the roads. In the year under review, the Agency engaged various stakeholders to obtain buy-in and support of the scheme and a socio-economic impact assessment was conducted with respect to the implementation of OCAS and the OCAS Implementation Manuals were also developed. These efforts are building towards the complete OCAS that will connect SADC countries through a coherent and harmonised regulatory regime.

The Agency continues to strategically position itself to promote regional integration and that of the African continent as a whole. To this end, we have developed the Linking Africa Plan, our trademark transport and trade plan as a tangible means to mobilise the relevant stakeholders towards unlocking increased regional trade as well as increasing trade within the African continent. The Plan was reviewed and finalised during the year under review and forms part of the work plan of the Cross-Border Road Transport Regulators Forum (C-BRTRF). The Agency currently chairs this forum which is a body constituted of road transport regulators from all SADC member states.

The Agency produced the Annual State of Cross Border Operations Report (ASCBOR) which has been shared with various stakeholders in the cross-border road transport environment. This report details current information and trends on the trade and transport value chains in the SADC region and is one of the value-add advisory tools intended to benefit our stakeholders. The report for 2018/19 financial year articulated on the state of cross-border road infrastructure (hard and soft infrastructure) and constraints facing cross-border operations in the Common Market for Eastern and Southern Africa (COMESA), Eastern African Community (EAC) and Southern African Development Community (SADC). The report also covers the state of regional integration and progress made toward integrating transport in the Tripartite (COMESA-EAC-SADC) region, progress on implementation of continental and regional programmes with a bearing on cross-border road transport and offers recommendations on reforms and action plans which may be useful in addressing the identified challenges.

The Agency also developed country profiles for Namibia and Zambia which provide relevant and up-to-date information to cross-border transport operators and the general domestic industry as they intend to pursue various opportunities in these countries. These country profiles focused on critical factors that have an impact on cross-border road transportation such as the state of cross-border trade and the transport industry in the country profiled, traffic volumes and the noteworthy features of the cross-border regulatory environment. The country profile reports also highlight economic opportunities and developments that may affect cross-border road transport operations and are therefore used to empower Small-Micro-Medium-Enterprises (SMMEs) entering the relevant cross-border market.

The year under review saw the pilot of a "Cross-Border Flow Calculator" project with the aim of calculating the economic impact of delays at various land ports of entry. The pilot studies of the project were conducted at Beitbridge, Lebombo and Grobler's Bridge border posts and the transit times were determined for the said border posts. During these pilot studies, the Agency, as a part of its Border Town's initiative, trained 132 young people from the Musina, Nkomazi and Lephalale municipalities as data capturers.

The overall performance level of the Agency against the 2018/19 Annual Performance Plan was at 92.31%, representing achievement of twelve out of thirteen performance targets.

Strategic Relationships

Noting the transnational nature of cross-border road transport, the Agency prioritised various stakeholder engagements in line with its Stakeholder Management Plan. Central to these engagements was a view to deal with constraints that impede the free flow of passengers and goods between our borders and the rest of the region. In the course of these engagements, the Agency maintained a register of constraints as raised by its stakeholders, many of which have been resolved.

The Agency's mandate requires that in the course of facilitating the unimpeded flow of passengers and goods through road transport in the region it collaborates with various stakeholders within the cross-border road transport space. We continue to collaborate with both domestic stakeholders (national departments, fellow regulatory agencies, provincial authorities, municipalities, metros and transport operators) and regional counterparts to address operational constraints that are a challenge to efficient cross-border road transport operations.

Domestic stakeholders were engaged through the National Stakeholder Consultative Forum, a statutory body established in terms of the Cross-Border Road Transport Act (No 4 of 1998) which consists of relevant government departments and entities with an interest in the cross-border space. Municipalities were also engaged through the municipal fora to discuss matters as they impact the Agency's mandate. Various sessions of the operator fora were convened for all operator categories and their respective sector fora. The Agency also participated in meetings of the Border Management Agency (BMA) and the Inter-Agency Clearing Forum (IACF). There are on-going engagements with the Road Traffic Management Corporation (RTMC) as part of overseeing the function of the cross-border law enforcement function performed under the principal/agency relationship.

At a regional level, the Agency convened various Joint Route Management Group meetings (meeting of operators and officials from RSA and other member state) and Joint Committee (officials from RSA and other member state) meetings. The Agency was also represented in the meetings of the Trans Kalahari Corridor (TKC), Maputo Development Corridor (MDC) Working Group and the Maputo Corridor Logistics Initiative (MCLI).

The Agency continues to seek a lasting solution to the RSA/Lesotho impasse. In the year under review, the Agency participated in the National Ministerial Task Team (NMTT) which consists of representatives from the Department of Transport; the Free State Department of Police, Roads and Transport and the Lesotho Ministry of Public Works and Transport. The Provinces of KwaZulu-Natal and the Eastern Cape are also represented in the team. A draft bilateral agreement between the Republic of South Africa and the Kingdom of Lesotho has been drafted and is under consideration.

Challenges faced by the Board

The non-promulgation of the 2018 Permit Tariff Regulations remained a threat to the Agency's financial sustainability in the year under review. Cost containment measures were instituted to afford the Agency a fighting chance against an eminent financial disaster which negatively affected

3. Foreword by the Chairperson (cont.)

some of the planned organisational targets. The target for the implementation of prioritised interventions as per the Enterprise Architecture Roadmap was not achieved for the year as projects had to be reprioritised.

There was also uncertainty in the Agency due to the litigation of the 2014 Permit Tariff Regulations which was pending for the major part of the financial year. The matter was subsequently concluded in favour of the Agency in February 2019.

On the regulatory side, the challenge on issuance of passenger permits for RSA/Lesotho route remained a challenge. The said impasse started in 1999 and has since been a challenge that affects and impedes normal passenger cross border movements on the Lesotho/RSA route. The Minister of Transport established a National Ministerial Task Team (NMTT) tasked with the responsibility of developing a lasting solution to the impasse and its work is still in progress.

The Board remains with four vacancies as at the end of March 2019, as is thus not constituted in line with the provisions of the Cross-Border Road Transport Act (No 4 of 1998). The vacancies on the Board negatively affect the composition of the Regulatory Committee, which is a quasi-judicial structure established in terms of the Cross-Border Road Transport Act. The recruitment of the Board members is the purview of the Minister of Transport and the matter has been accordingly escalated to the Minister and the Department of Transport. The term of the current Board ended at the end of April 2019 and has been extended for a period not exceeding six months.

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

Noting that we have come to the end of the 5th Administration, the Agency is gearing itself to develop a new five-year strategic plan in line with its mandate as articulated in the Cross-Border Road Transport Act, and the policy direction and priorities of the ruling party.

In view of its mandate, the Agency will continue with the following initiatives among others: -

- Development of the Operator Compliance Accreditation Scheme (OCAS);
- Development of the Cross-Border Flow Calculator;
- Compilation of the Annual State of Cross Border Operations Report (ASCBOR);
- Development of country profiles;
- Implementation of the Industry Development Strategy enabling the Agency to meaningfully contribute towards the transformation and development of the cross-border industry;
- Engagements with various stakeholders to build relations, resolve constraints and impediments in the cross-border road transport environment; and
- Implementation of the Linking Africa Plan with a view of enhancing harmonization of road transport system with the regions, promoting regional integration and trade across the continent.

The Agency will also continue with the development of an Integrated Cross Border Management System to improve efficiencies in its operations and to deliver an increased value to cross-border operators and other stakeholders. Identified revenue streams will also be pursued to ensure financial sustainability of the Agency.

Conclusion

The Agency is committed to deliver on its core mandate and to maintain a high-performance culture underpinned by a robust internal control and risk management environment.

Acknowledgements

The Board sincerely thanks the former Minister of Transport, Dr Bonginkosi Blade Nzimande for his guidance and direction, the former Deputy Minister of Transport, Ms Sindisiwe Chikunga for her unwavering support, the entire leadership of the Department of Transport and the Portfolio Committee of Transport which was led by Ms Dikeledi Magadzi.

We also welcome the new Minister of Transport, Mr Fikile Mbalula and the new Deputy Minister, Ms Dikeledi Magadzi and pledge our commitment to working with both the Minister and Deputy Minister in moving South Africa and the rest of the SADC region forward.

I also wish to thank the collective of the Board and 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 2019

4. Chief Executive Officer's Overview

Introduction

It is a privilege to present this Annual Report on behalf of the Cross-Border Road Transport Agency (C-BRTA). We hereby submit to the Parliament in the Republic of South Africa, through the Executive Authority, the Minister of Transport: Mr Fikile Mbalula, the Annual Report, associated with performance information, and audited annual financial statements of the Agency for the financial year ended 31 March 2019.

The Annual Report has been prepared in line with the Annual Report Guide for schedule 3A and 3C public entities as issued by the National Treasury and fairly represents the work of the C-BRTA for the financial year ending March 2019. The outputs of the Annual Report are in accordance with the predetermined objectives contained in the Annual Performance Plan for the financial year 2018/19 approved by the Board and tabled in Parliament of South Africa by the Minister of Transport.

This Annual Report is a reflection on the meaningful progress achieved by the Agency in implementing its mandate as conferred by the Cross-Border Road Transport Act (No. 4 of 1998) for the 2018/19 financial year, a year in which the Agency celebrated its 20th year of existence. We have achieved considerable strides in improving and maintaining high organisational performance, strengthening relations with our stakeholders through various stakeholder engagement fora, and ensuring the services we provide add value to our customers, the passenger and freight operators whom we regulate through the issuance of cross-border permits.

The past year has been challenging for the Agency and South Africa in general. Despite the bleak economic outlook, the C-BRTA was able to implement its mandate and register meaningful gains toward the seamless movement of people and goods between South Africa and the rest of the Southern African Development Community (SADC).

The Agency's Linking Africa Plan adopted in principle for implementation by majority of member states in SADC at the OR Tambo International Road Transport Indaba in October 2017 continues to gain traction as a tangible plan towards facilitating the seamless movement of people and goods between the borders of the region's countries, a necessary precursor for the region's industrialisation and socio-economic development.

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

The Agency finalised the plan which has been endorsed by SADC member states at an Executive Committee (EXCO) meeting of the Cross-Border Road Transport Regulators Forum (C-BRTRF) which took place in Maputo, Mozambique on 25 March 2019. The forum, which is a collaborative effort by all regulators of international road transport in the SADC region under the leadership of South Africa's chairpersonship, concretised its operational and governance framework at the same meeting. The Agency continues to provide leadership through the C-BRTRF to advance the harmonisation of the region's road transport regulatory environment in line with Chapters 5 and 6 of the SADC Protocol on Transport, Communications and Meteorology (SADC Protocol).

The implementation of the Agency's stakeholder management plan served as an integral vehicle through which we were able to deliver value to our customers, specifically owing to the transnational and cross-cutting nature of cross-border road transport. During the 2018/19 financial year, we strengthened relations with crucial domestic and international stakeholders through various fora and engagements, such as the National Stakeholder Consultative Forum, bilateral Joint Committee/ Joint Route Management Group meetings, operator fora, various industry associations and individual operator engagements. A compliance assessment report to monitor the level of compliance by member states to the SADC Protocol was finalised and will ensure that future stakeholder engagements centre on lobbying for the implementation of this strategic instrument.

Efforts to resolve the ongoing impasse on the regulation of passenger cross-border operations between South Africa and the Kingdom of Lesotho remained a focus area in the year under review. The Agency coordinated engagements with the key stakeholders to consolidate a unified approach toward the resolution of the challenge, these include the Department of Transport, the Free State Department of Police, Roads and Transport, the Modiboho Taxi Forum, Local Traffic Officers and Border Management Committee. A Working Group was established and will serve as a platform for issues which require engagement to be facilitated.

General financial review

The Agency experienced financial constraints during the financial year, which were brought about by permits tariffs which were not increased as envisaged due to the litigation on the 2014 Permit Tariff Regulations which was pending for the better part of the financial year. Consequently, the Agency's operations were funded from 2014 permit tariffs as their review remained outstanding throughout the financial year. In response to this reality, the Agency implemented cost containment measures to enhance its financial standing thereby supporting operational and strategic service delivery. This judicious exercise enabled the Agency to remain as a going concern and meet its legal and financial obligations.

A total revenue of R399,163 million was recorded for the period ending March 2019, of which R194,801 million is permit revenue. The permit revenue was below target by 13% (R28,985 million), and down by 9% (R18,798 million) on the same period last year. Included in the revenue of R399,163 million is an amount of R162 million of unclaimed refunds which was written back as the claims had prescribed during the year.

Penalty income increased from R29,974 million in the previous financial year to R41,644 million. Although the penalty revenue has increased, revenue received is utilised to service the agency principal relationship with RTMC and therefore does not relieve the financial burden to the Agency.

The judgement handed down by the Gauteng High Court on 28 February 2019 which dismissed the application by the Central African Road Services challenging the authority of the Minister to promulgate the 2014 Permit Tariff Regulations was a positive development. The court judgement upheld the validity of the regulations thus enabling the Agency to review tariffs on an annual basis.

Spending trends of the public entity

Total expenditure to end-March 2019 totalled R224,047 million, consisting mainly of employee costs and general expenditure of R126,314 million and R93,726 million respectively. Employee costs was 9% or R11,985 million below budget but 14% or R15,422 higher year on year as only critical position were filled during the year under review. Operational costs were R17,077 million higher year on year due to inflationary increases as well

as implementation of some critical projects during the year. During the year, the entity recognised R162,717 prescription revenue as a result of the application of Prescription Act on the operator claims. Consequently, the surplus therefore to end-April 2019 was R180,990 million. With the exclusion of the prescription revenue, surplus from normal operations was 40% or R11,987 million below budget and 65% or R36,830 million less than the same period in 2018. The surplus will be retained to fund integrated cross border system to improve the efficiency of the Agency.

Capacity constraints and Challenges

The Agency regards its employees as critical assets in service delivery and thereby fulfilling its legislative mandate. In the year under review, efforts were made, despite the Agency's financial constraints, to prioritise the filling of vacant positions critical for the Agency's operations. The Agency continues to empower employees through focussed training interventions.

Discontinued activities

There were no discontinued operations that took place during the year under review.

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

Reflecting on past performance

In the year under review, the Agency achieved 92% on pre-determined objectives which is the same as the previous financial year.

I also wish to highlight the following achievements:

- 90 217 cross-border permits were issued to facilitate the movement of goods and passengers in the region.
- As part of developing and implementing a new cross-border management system, business case on phase one of the cross-border management system was approved, which is aimed at systems integration and accessibility for the cross-border operators.

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

- The 2018 Permit Fee Regulations were developed and submitted to the Department of Transport (DoT).
- The Agency conducted a post implementation assessment of the Market Access Regulation tool with an intention to improve its effectiveness.
- The implementation manuals for the Operator Compliance Accreditation Scheme (OCAS) were developed and a Socio-Economic Impact Assessment was carried out for OCAS.
- A stakeholder management plan was implemented to support the 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 facilitated with Botswana, Mozambique, Swaziland and Lesotho.
- The Agency continued to implement its Border Towns Initiatives. For the year under review, a total of hundred and thirty-two (132) young people from the Musina, Nkomazi, and the Lephalale Local Municipalities were empowered during the piloting of the model to calculate transit times at commercial border posts.
- The Annual State of Cross Operations was conducted, and the report thereto was shared with the Minister of Transport and other stakeholders. The report seeks to equip its users with valuable information that will enable them to address various transport and trade challenges, reduce tariff and non-tariff barriers (NTBs) and operational constraints faced by transport operators and traders; as well as to enhance the competitiveness of the cross-border road transport environment.
- As an initiative to empower SMMEs, the Agency profiled Namibia and Zambia with a view to support informed decision making relating to operations within the cross-border road transport environment. The country profile reports further identify possible opportunities for the SMMEs.

Acknowledgements

I would like to thank the former Minister of Transport, Dr Bonginkosi Nzimande for his leadership in the year under review. The support and guidance from the former Deputy Minister of Transport, Ms Sindisiwe Chikunga and the Acting Director-General of Transport, Mr Chris Hlabisa came highly appreciated.

The Agency wishes to acknowledge and appreciate the unwavering support of the South African Parliament, through the Portfolio Committee on Transport which was led by Ms Dikeledi Magadzi.

I would also like to welcome the new Minister of Transport, Mr Fikile Mbalula, the new Deputy Minister, Ms Dikeledi Magadzi and the new Portfolio Committee of Transport under the leadership of Honourable Msebenzi Zwane to this vibrant sector and assure the Minister, Deputy Minister and the Portfolio Committee of our support in moving South Africa forward.

I am grateful to the management team and the staff, who have shown an enormous amount of commitment and team spirit.

A word of gratitude is extended to the C-BRTA Board of Directors and the leadership of Mr Mos Ramathe.

I conclude by thanking our cross-border operators for the feedback and support, particularly as expressed by their attendance to our various stakeholder forums. We remain resolute in our quest to serve with humbleness, integrity and excellence.

Mr Collins Letsoalo
Chief Executive Officer (Acting)
Date: 30 July 2019

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 of South Africa (AGSA).

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 the 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 which 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 2019.

Yours faithfully

Mr Collins Letsoalo
Chief Executive Officer (Acting)
Date: 30 July 2019

Mr Mos Ramathe
Chairperson of the Board
Date: 30 July 2019

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 passenger cross-border road transport; liberalise market access progressively in respect of the cross-border freight road transport; reduce operational constraints for the cross-border road transport industry; enhance transport trade facilitation; provide oversight and monitoring functions and build industry partnerships to strategically reposition the C-BRTA.

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

GOAL 1 Facilitate unimpeded flow of cross-border transport
GOAL 2 Strategic positioning to promote integration of the African continent
GOAL 3 Promote safe and reliable cross-border transport
GOAL 4 Enhance organisational performance in order to improve sustainability

STRATEGIC OBJECTIVES

1. To introduce and implement regulated competition of cross border movements as pertaining to cross border movements
2. To improve compliance with road transport legislation
3. To establish and sustain strategic partnerships with stakeholders so as to enable the Agency to achieve its objectives
4. 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. To proactively promote transformation and development of the cross-border industry
6. To ensure the financial viability and sustainability of the C-BRTA
7. To improve efficiencies in business operations

MISSION

We spearhead the unimpeded flow of Inter-State operations thereby facilitating sustainable social and economic development

VISION The champion of free-flowing Inter-State operations

CORE VALUES - "ITREES"

Integrity, Transparency, Reliability, Efficiency, Effectiveness and Social responsibility

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. Consitutional 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; and
- Sections 231: International agreements.

7.2. Cross-Border Road Transport Act

The Cross-Border Road Transport Agency (C-BRTA) was established in terms of the Cross-Border Road Transport Act, 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 the 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. 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, provides for traffic regulations that govern licensing of motor vehicles, operation of motor vehicles, vehicle road worthiness, driver licensing and fitness of drivers.

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 regarding compliance to road traffic regulations in the tourism sector.

7.6. Policy Mandate

Below is a table indicating additional policy mandates that the Agency is envisaged to contribute towards:

REPUBLIC OF SOUTH AFRICA

Table 1: Policy Mandates

NATIONAL DEVELOPMENT PLAN (NDP)	
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 like 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 because 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 amongst others.

SACU MoU

Provides for facilitation and maintenance of effective road transport arrangements, and equitable shares in road transportation with a view to supporting trade in the Customs Union.

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.

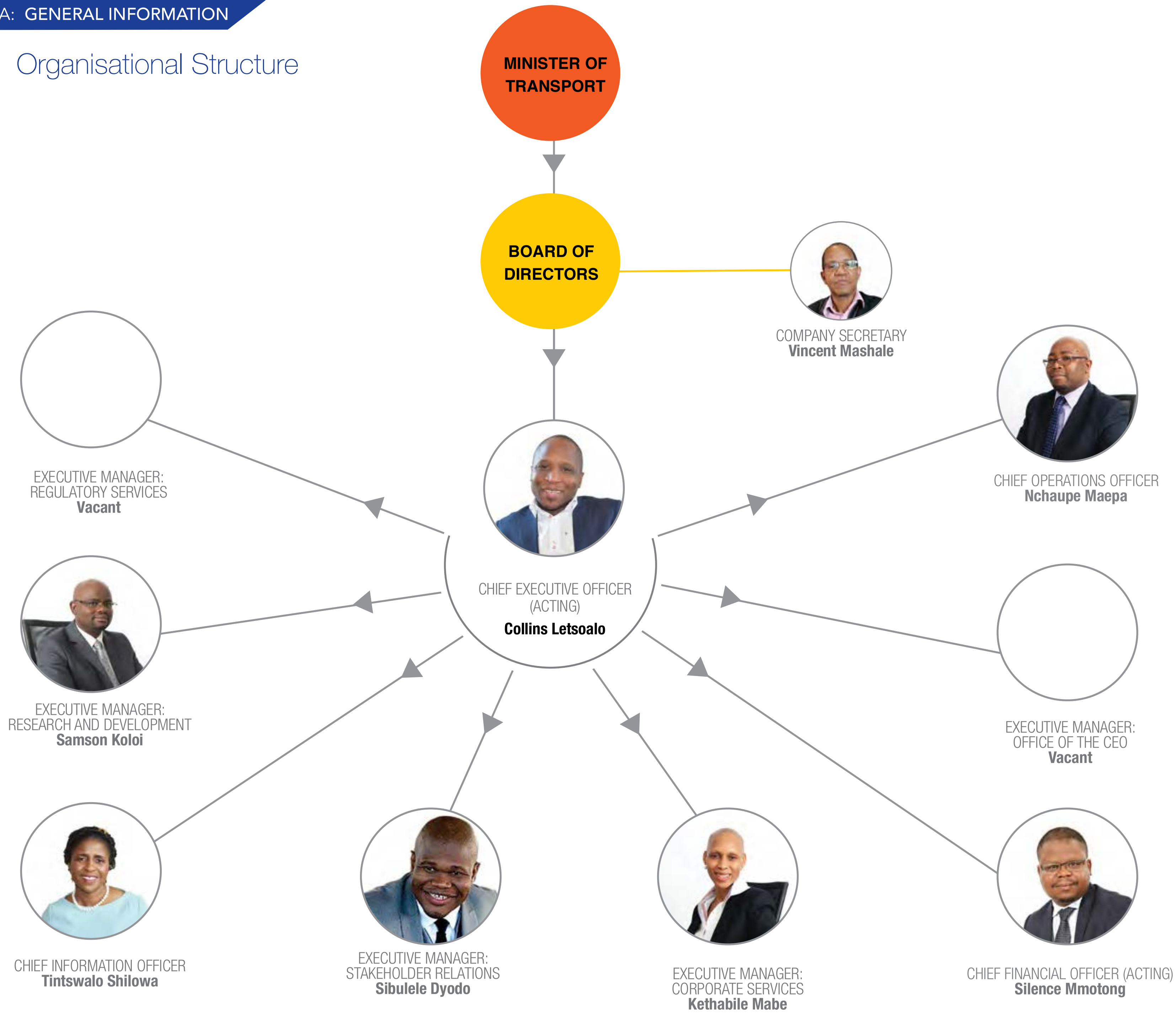
International convention on the harmonisation of frontier controls of goods, of 1982,

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 Dtafting, Institute of Adavanced 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 Thekisho
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 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

Mr Collins Letsoalo

Chief Executive Officer (Acting)

Formal Qualifications

- BCom (Economics and Finance) – University of Natal
- Diploma in Central Banking – Institute Of Bankers South Africa (IOBSA)
- Advanced Diploma in Central Banking – Institute Of Bankers South Africa (IOBSA)
- Diploma in Treasury Management and Trade Finance - Institute Of Bankers South Africa (IOBSA)
- International Capital Markets Qualification – London Securities Institute
- Certified Associate of the Institute for Bankers in South Africa (CAIB(SA))

PART B

Performance Informantion

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

The AGSA 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 63 of the Auditors Report that is published as Part E: Financial Information.

2. Situational Analysis

Implementation of the 2018/19 APP coincided with the Agency's celebrations of its twentieth years in existence. In celebrating this milestone, the Agency committed to continue striving to position itself as a value-adding entity in the cross-border transportation sector and to contribute to the growth of the regional economy. In line with this commitment, the Linking Africa Plan (LAP) initiative was introduced. LAP is a transport and trade plan with the aim of improving free flow of goods and people across the region through harmonized standards and systems. The APP was based on the reviewed 2015-2020 Strategic Plan focusing on the Linking Africa theme. The theme necessitated a thorough assessment of various aspects of the service delivery environment that would enhance service delivery, improve regional integration and harmonization.

The Agency remained focused on the need to continuously enhance its stakeholder collaboration efforts with a view to facilitating unimpeded flow of goods and people. To that extent, the stakeholder management role was enhanced to ensure coordinated stakeholder collaboration efforts on areas of harmonization and information sharing while responding to the daily needs of cross-border operators. The 2018/19 Annual Performance Plan was geared to meet stakeholders' expectations in relation to making contribution to transportation and trade value chain, to enable the Agency to make the anticipated impact on economic development.

2.1. Service Delivery Environment

The year under review was the second year since the migration of the law enforcement function to the Road Traffic Management Corporation (RTMC) based on the principal-agent relationship. This relationship was formed with the understanding that whilst the Agency provides intelligence that assists in focused deployments of law enforcement, the RTMC will perform cross border law enforcement function.

During 2018/19, the Agency continued to monitor efforts in relation to enforcing compliance with the Cross-Border Road Transport Act and conditions of issued permits through the function of the Profiling unit. The Profiling unit is further undergoing efforts to provide intelligence to the Road Transport Inspectorate and to collaborate with the RTMC and other law enforcement agencies with a view of ensuring that the cross-border law enforcement mandate is carried out.

The Agency's focus also stretches on to the aspects of industry development through the capacitation of the SMME's in border towns as well as career development for young people in schools and institutions of higher learning. This is part of the efforts to strategically position the Agency and contribute towards local economic development, particularly to communities along the cross-border corridors and those closer to the borders. Through the border towns initiative, hundred and thirty-two young people from Musina and Lephalale in Limpopo as well as Naas, Komatiepoort and Hectorspruit in Mpumalanga were trained and gained knowledge on cross-border road transportation matters and skills in data collection and capturing.

2.2. Organisational environment

The C-BRTA found itself in a stable yet dynamic situation as it celebrated 20 years of existence. The dynamic nature of the organisational environment resulted from the Agency's efforts to adapt and respond to the needs of the surrounding environment as informed by global market demands. The Agency found itself pressing harder to attain high performance culture as well as to transform and be an employer of choice. The rationale underlying the Agency's efforts is to ultimately improve its overall performance and spearhead social and economic development within the SADC region through facilitating unimpeded cross-border road transport movements.

Some of the initiatives undertaken focused on business improvement, policy reviews and enterprise architecture. These initiatives will assist with regards to the appropriate configuration as well as alignment of the strategy, structure, systems and processes to deliver on the mandates of the Agency.

The C-BRTA staff members are vibrant and always poised on the delivery of good and quality services to our clients (mainly operators). The Agency has a diverse team of different skills and competencies that enables professional service delivery in an effective and efficient manner.

The Agency's value system is used as a point of reference and staff members show commitment to living the values. Since the Agency's business demands a level of integrity; there are strides taken to promote the values.

There was uncertainty in the organisation resulting from the pending litigation of the 2014 Permit Tariff Regulation. Furthermore, the litigation of 2014 permit tariff regulations led to delays in the promulgation of new tariff regulations. With the non-promulgation of tariffs, the Agency could not generate adequate revenue to fund its operations. Cost containment measures were put in place leading to a situation where some critical positions could not be filled.

2.3. Key policy development and legislative changes

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

3. Strategic Outcome Oriented Goals

The table below provides a summary of progress made towards the achievement of the 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 GOAL	PROGRESS MADE TOWARDS THE ACHIEVEMENT OF GOALS
01 FACILITATE UNIMPEDED FLOW OF CROSS-BORDER TRANSPORT	• The Market Access Regulation (MAR) tool was developed and implemented to provide statistics in relation to supply and demand of passenger transport based on the route's carrying capacity. The tool enables the Regulatory Committee to take informed decisions when considering passenger permits applications. • Balancing supply and demand of passenger transport on cross border corridors contribute towards achieving free flow as it curbs consequences of oversaturation of routes.
02 STRATEGIC POSITIONING TO PROMOTE INTEGRATION OF THE AFRICAN CONTINENT	• The Agency developed and implemented the Stakeholder Management Plan – an initiative which is intended to boost transport and trade as stakeholders engage to jointly deal with constraints that impedes movements when trading across the region. • The Agency, as part of implementing the Stakeholder Management Plan, engaged with various stakeholders as part of its efforts to add value to the integration of the continent. This takes the form of engagements with member states in various platforms on the implementation of the SADC Protocol on Transport, Communication and Meteorology as well as regional agreements. This include Joint Committee meetings with various member states to deal with constraints faced by the operators as well as participation in regional initiatives which seeks to reduce delays at the border amongst others and enhance regional integration. • The Cross-Border Road Transport Regulators' Forum, which is constituted of regulators from various members states, was established by SADC Ministers of Transport to pursue regional harmonization agenda and implementation of the protocol. • The Annual State of Cross-Border Report (ASCBOR) is produced with a view of advising and influencing stakeholders to implement initiatives to improve corridor efficiencies. • A Cross-Border Flow calculator was primarily pursued to determine transit times and calculate the cost of delays at the borders with a view of influencing decision making on border modernization.

OUR VISION
The Champion of free-flowing interstate operations

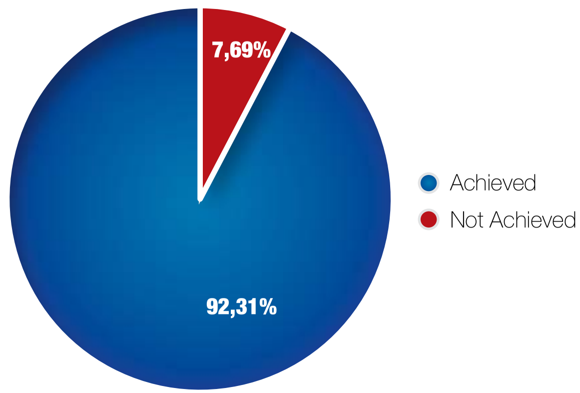
OUR MISSION
We spearhead the unimpeded flow of interstate operations thereby facilitating sustainable social and economic development

STRATEGIC GOAL	PROGRESS MADE TOWARDS THE ACHIEVEMENT OF GOALS
03 **PROMOTE SAFE AND RELIABLE CROSS-BORDER TRANSPORT**	• The Agency has conceptualized, and it is 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. • The Section 39 report is compiled quarterly with a purpose of profiling operators. The profiling of operators assists with determining the compliance status of the operators which is useful as a point of reference when Regulatory Committee make decisions on permit applications.
04 **ENHANCE ORGANISATIONAL PERFORMANCE TO IMPROVE SUSTAINABILITY**	• The Agency is pursuing the levying of “cross-border charges on foreign vehicles” as an alternative revenue stream while also ensuring equal treatment of the South African Cross-Border Operators. To that extent, the Agency undertook a comprehensive study of the cross-border charges applicable in all countries in SADC and developed a business case on the introduction of cross border charges. The introduction of cross border charges will also level the playing field for South African operators as the charges will be harmonized with those of other member states. This proposed revenue stream is still a work-in-progress and therefore has not contributed to the achievement of the goal. The Agency is also pursuing ‘sale of information’ as an additional revenue stream and the ‘business case has been developed.

4. Performance Information by Programme

The Agency achieved twelve (12) out of thirteen (13) targets that were set for 2018/19 financial year, constituting a performance level of 92, 31%. The figure below depicts the Agency's performance in 2018/19 financial year.

Diagram: 2 Annual Organisational performance



The targets were achieved through the following programmes of the Agency:

PROGRAMME 1

ADMINISTRATION

The overall purpose of this programme is to ensure effective leadership and administrative support to the C-BRTA on the delivery of its set objectives.

PROGRAMME 2

REGULATORY SERVICES

The purpose of this programme is to regulate access to the cross-border road transport market by freight and passengers operators, through a permit administration regime.

PROGRAMME 3

PROFILING SERVICES

The purpose of this programme is to ensure compliance by operators with relevant road transport legislation and relevant provisions of the bilateral agreements.

PROGRAMME 4

STAKEHOLDER MANAGEMENT

This programme seeks to ensure that consultations and partnerships with key role players within South Africa and SADC are developed to enhance regional social integration and economic development.

PROGRAMME 5

RESEARCH AND ADVISORY SERVICES

The purpose of this programme is to provide advisory and strategic support to key industry stakeholders through the application of technical expertise and management of key projects and research initiatives.

4.1 PROGRAMME 1 ADMINISTRATION

4.1.1 Introduction

The main objective of this programme is to provide administrative support to the core function and it consists of three divisions, namely; Corporate Services, Information and Communication Technology, as well as Finance and Supply Chain Management. The three divisions play the following roles in the Agency:

- **Finance and SCM** offers professional services in relation to financial and supply chain management while ensuring compliance with statutory requirements and best practice models.
- **Information and Communication Technology (ICT)** renders information and communication technology services while ensuring compliance with statutory requirements and best practice models.
- **Corporate Services** exists to provide expertise and support in relation to human resources, legal services and facilities management that make business delivery possible. These services include developing and adopting strategies that are responsive to the business strategy and strategic tasks confronting the Agency.

The programme drives 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

4.1.2 Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievement

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

Table 3: 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 2017/18**	**PLANNED TARGET 2018/19**	**ACTUAL ACHIEVEMENT**	**DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2018/19**	**COMMENT ON DEVIATION**
1.1.	Developed and implemented new revenue streams	Target not achieved. 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. The final business case is awaiting endorsement by the DoT Executive Committee	Developed Business Case on the 'Sale of Information' revenue stream	Target Achieved. Business case was developed and approved by the Executive Committee	None as target was achieved	None as target was achieved

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 2017/18**	**PLANNED TARGET 2018/19**	**ACTUAL ACHIEVEMENT**	**DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2018/19**	**COMMENT ON DEVIATION**
1.2.	Developed and implemented new 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 Executive Committee.	Implemented prioritised interventions as per the approved EA Roadmap	Target not achieved. The specifications and terms of references for the iCBMS were reviewed and the tender was re-advertised in November and adjudicated in March 2019.	Some projects in the EA Road Map were deferred due to budget constraints. The prioritized project was the development of the ICMBS. Although a tender was re-advertised, and all necessary processes done during the year, reprioritisation had to be done to enable the project to re-scope and consider budget limitations.	The reprioritisation was done due to budget constraints and therefore deferred projects will be considered based on availability of funds. With respect to the prioritized project of the ICMBS, the process of appointing a service provider was in progress as the year came to end.
1.3.	Developed 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.	Submitted Draft Permit Fee Regulations to DoT	Target Achieved. The draft permit fee tariff regulations were submitted to DOT.	None, target achieved	None, target achieved

4.1.2.1 Narrative summary on programme performance information

- **Developed and implemented new revenue streams as per financial sustainability strategy:**
  One of the strategic objectives of the Agency was to ensure financial viability and sustainability of the organisation. The key performance indicator for the development and implementation of a new revenue stream was identified as key to the achievement of this strategic objective. The initial target that was set against the key performance indicator was the implementation of cross-border charges which was subsequently amended to 'sale of information' during the mid-term review.

  For the year under review, the APP target set in line with this indicator was to develop a business case on the "sale of information" revenue stream. The target was achieved as relevant information was gathered and the business case was compiled and approved. Included in the business case is the outcome of the internal and external environment analysis, as well as information with the potential to be commercialized. The business case also identifies the potential users of the information proposed for commercialization.

- **Developed and implemented new cross-border management system**
  With the objective to improve business efficiency, the Agency developed an Enterprise Architecture and identified key information technology solutions to be pursued during the financial year. These solutions were included in the IT Roadmap, which was a yardstick against which the Agency will measure progress towards the implementation of interventions to improve business efficiencies. The

Agency envisaged to match and acquire modern technologies that underpin key business operations.

However, due to financial constraints arising for the non-promulgation of the permit tariff for 2018/19 financial year, the Agency could not roll-out the IT Roadmap as initially planned, and some interventions had to be deferred.

Despite the financial constraints encountered during the year under review, there was significant progress made in relation to the implementation of some projects in the IT Roadmap. At least eight projects were successfully implemented during the financial year.

The key priority project was the development of the integrated Cross Border Management System (iCBMS). The milestone achieved on this project was the evaluation and adjudication of a tender to appoint the service provider to assist with the development of the system.

- **Developed permit fee regulations**
  The Agency drafted and submitted the Permit Tariff Regulations to the Department of Transport for further processing. Engagements were also held with officials from the DoT to address their concerns relating to the promulgations of this regulations, mainly due to the impact of the pending litigation on the 2014 permit tariff regulations. The Agency's view was that there is no legal impossibility that may prevent publication of the Regulations.

4.1.3. Other Programme Priorities

- **Finance and Supply Chain Management unit**
  The Finance and Supply Chain Management unit continued to provide financial and supply chain management support, ensuring that limited resources allocated are utilised efficiently. The Agency implemented cost containment measures and delayed certain projects to improve working capital and ensure financial sustainability in the short term as the anticipated tariffs increase did not materialise.

  The working capital, which is represented by the degree to which the current assets of the agency exceeds its current liabilities, improved during the year under review. The current ratio of the Agency as at the end of the financial year has improved and, consequently, the Agency will be able to pay its suppliers as well as employees in the ordinary course of the business.
  The financial health of the Agency has improved significantly during the year under review. This was mainly due to the reversal of R162 million claims provision following the application of the Prescription Act. The financial position was further enhanced by R18 million operating surplus generated for the year under review. This improvement in the net asset value means that the Agency can be able to finance such long-term assets as the Integrated Cross Border Management System from a combination of reserves surplus as well as the generation of future surplus.

  Towards the end of the financial year under review, the litigation in relation to the permit tariffs was finalised in favour of the Agency. Thus, the permit tariffs have been increased by 4.7% for the following financial year which is expected to provide some financial relief to current fiscal constraints. This, however, is not sufficient to ensure long-term sustainability and thus the Agency will continue to implement cost containment measures for the foreseeable future while engaging the Executive Authority in an attempt to review the long-term funding structure of the entity.

  The SCM unit continued to provide on-going support to line functions to ensure that procurement of goods and services are done in line with the relevant prescripts. Various bids were evaluated, adjudicated and awarded during 2018/19.

- **Information and Technology (IT)**
  In pursuit of the objective to improve efficiencies in business operations, the Agency focused on several IT projects to enable and supports the Agency to run its day to day operations. Some highlights of the activities undertaken during the year under review included the development and implementation of Market Access Regulation (MAR) Application, HR Performance Management System, Data Analytics Solution, Data Analytics Solution, Email Archiving Solution, standardised Microsoft Endpoint solutions as well as IT Governance, Compliance and Information Security Management System (ISMS) Roadmaps. In addition, the Agency successfully completed the website revamp, automated business processes for permit management and introduced a

security solution, Business Continuity and IT Disaster Recovery, standardised hardware, upgraded the Local Area Network (LAN) and performed the COBIT and ITIL assessments.

The Agency reviewed and approved several procedures manuals relating to Anti-Virus & Patch Management, Disaster Recovery, Incident Management, Change Management, Network and Firewall Management, User Access Management and Backup Management.

- **Corporate Services**

  In a bid to enhance good governance, the Agency put in place training programmes that afforded employees an understanding of applicable various prescripts. In this regard, officials within the Regulatory Services division were trained on POPI Act and the Cross-Border Road Transport Act was also presented to the students and lecturers at the Technical Vocational Education and Training (TVET) college in Soweto.

Legal Services continued to provide necessary leadership and management with respect to litigation matters and legislative proposal reviews.

Meanwhile, the Human Resource Management initiatives were mainly geared to channel the Agency towards corporate best practices. Some of the highlights for the year included but not limited to the review of significant HR policies, the second annual staff performance awards ceremony and the automation of the performance management system. There was also remarkable progress regarding the enhancement of human capital competencies.

4.1.4. Strategy to overcome areas of under performance

Reprioritisation of the EA roadmap was done to ensure that the plan is implemented within the constrained budget.

4.1.5. Changes to planned targets

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

4.1.6. Linking performance to budgets

Table 4: Expenditure: Administration

	2018/2019			2017/2018		
PROGRAMME	**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	128 306	127 349	1 248	121 513	132 794	(11 281)

The programme achieved its targets within the budgeted allocation and the underspending is mainly attributable to the implementation of cost containment measures due to non-promulgation of permit tariffs regulations.

4.2 PROGRAMME 2 REGULATORY SERVICES

4.2.1. Introduction

This programme exists primarily for the regulation and administration of permits. It is responsible for regulating access to the cross-border road transport market, freight and passengers, through a permit administration regime. The programme is also tasked to ensure that operators comply with cross border regulations, 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.

4.2.2. Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievement

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

Table 5: Regulatory 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 2017/18**	**PLANNED TARGET 2018/19**	**ACTUAL ACHIEVEMENT**	**DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2018/19**	**COMMENT ON DEVIATION**
2.1.	Implemented scientific tool used by the Regulatory Committee to manage supply and demand of cross-border passenger transport	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.	Post implementation assessment	Target Achieved Post implementation assessment conducted.	None, target achieved.	None.
2.2.	Developed and Implemented Operator Compliance Accreditation Scheme (OCAS)	Target achieved. The Board approved the draft legislative proposal and it was submitted to DoT.	Executive Committee approved OCAS Implementation manuals	Target Achieved OCAS Implementation Manuals were approved by the Executive Committee.	None, target achieved.	None.
2.3.	Percentage of temporary permits issued within pre-determined turnaround times	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.	90% of compliant applications for temporary permits processed and permits issued in front office within 8 hours 90% of compliant applications for temporary permits processed and permits issued in back office within 1 day	Target Achieved Achieved with the percentage of 99.73% at the front office and 98.96% for the back office.	The over-achievement results from mechanisms that were put in place to enhance efficiency in handling permits applications. Express lines are used for single applications whilst bulk applications are processed by the remote office. There were also no downtimes on the CBRTS permit system.	Implemented improvement mechanism will be maintained.

4.2.2.1 Narrative summary of programme performance

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

The Market Access Regulation (MAR) tool was introduced to mainly aid the Agency to achieve its objective of introducing and implementing regulated competition of cross-border movements. The tool is useful to the Regulatory Committee in applying a more balanced and independent assessment of the market demand and supply dynamics on the different corridors.

For the year under review, the Agency aimed to implement the Market Access Regulation tool and compile a post implementation assessment report and this target was achieved. This followed previous years' design of the tool, piloting of the tool as well as some reviews that were conducted after piloting.

- **Developed and implemented Operator Compliance Accreditation Scheme (OCAS)**

The conceptualisation of this initiative was done in line with the Agency's objective to improve compliance with road transport legislation. The Operator Compliance Accreditation Scheme (OCAS) was also initiated to boost the improvement and promotion of socio-economic development and regional integration through progressive market liberalisation.

OCAS is intended to improve compliance with road transport legislation and regulatory efficiency in the cross-border road transport environment. It is envisaged that OCAS implementation will enhance the unimpeded flow of cross-border road transport, reduce operational constraints in the cross-border road transport environment and enhance trade amongst others.

For 2018/19, the target was to develop OCAS Implementation Manuals which were successfully developed and approved, marking a significant milestone towards the development of the scheme. Amongst the significant milestones reached in relation to OCAS during the year under review, were the detailed study and compilation of the Socio-Economic Impact Assessment (SEIA) report which was approved and shared with the DoT, the development of the framework for OCAS Implementation Manuals as well as presentation of the scheme at the meetings of ISOTC241 Committee which were convened to discuss the accreditation schemes.

- **Percentage of temporary permits issued within pre-determined turnaround times**

As part of the efforts that are geared towards improvement of business efficiencies, the Agency strives to be efficient in the administration of permits. This indicator was identified to enhance the Agency's efficiency in the processing of temporary permits applications. The Agency had targeted to process and issue 90% of compliant temporary permit applications in front office within 8 hours and the back office within 1 day. The overall average percentages achieved for the year were 99.73% for front office and 98.96% for back office.

4.2.3. Other Programme Priorities

A total of 90 217 permits were issued during the 2018/19 financial year, constituted a decrease of 1.54% compared to the previous financial year. Below is the statistics on permits issued during 2018/19 per permit type and countries:

- **Goods permits**

Permits issued for goods operations decreased by 1.1% during the year under review, down from 63 695 to 62 995. Hereto follows a statistical overview of the goods permits issued per country.

Table 6: Goods Permit Statistics

COUNTRY	2018/19	2017/18	% MOVEMENT
Angola	163	167	(2.4)
Botswana	7 886	8 080	(2.4)
Democratic Republic of Congo	8 170	5 528	47.8
Lesotho	2 960	3 198	(7.4)
Malawi	2 843	2 607	9.1
Mozambique	8 843	9 230	(4.2)
Namibia	4 931	5 630	(12.4)
Swaziland	4 978	5046	(1.3)
Zambia	11 268	12 616	(10.7)
Zimbabwe	10 822	11 539	(6.2)
Cabotage	131	54	142.6
TOTAL	**62 995**	**63 695**	**(1.1)**

- **Taxi Passenger Permit Statistics**

Permits issued for taxi operations decreased by 0.03% during the year under review, down from 22 500 to 22 494. Hereto follows a statistical overview of the taxi permits issued per country.

Table 7: Taxi Passenger Permit Statistics

COUNTRY	2018/19	2017/18	% MOVEMENT
Botswana	612	637	(3.9)
Democratic Republic of Congo	02	04	(50)
Lesotho	1 105	1 258	(12.2)
Malawi	46	56	(17.9)
Mozambique	8 741	9 461	(7.6)
Namibia	164	206	(20.4)
Swaziland	706	1 222	(42.2)
Zambia	26	83	(68.7)
Zimbabwe	11 092	9 573	15.9
TOTAL	**22 494**	**22 500**	**(0.03)**

- **Bus Passengers Permit Statistics**

Permits issued for bus operations decreased by 22.5% during the year under review, down from 2 581 to 1 999. Hereto follows a statistical overview of the bus permits issued per country.

Table 8: Bus Passengers Permit Statisticss

COUNTRY	2018/19	2017/18	% MOVEMENT
Botswana	98	156	(37.2)
Democratic Republic of Congo	08	13	(38.5)
Lesotho	125	251	(50.2)
Malawi	191	168	13.7
Mozambique	252	310	(18.7)
Namibia	35	64	(45.3)
Swaziland	58	167	(65.3)
Zambia	49	55	(10.9)
Zimbabwe	1 183	1 397	(15.3)
TOTAL	**1 999**	**2 581**	**(22.5)**

- **Tourist Permits Statistics**

Permits issued to tourist operations decreased by 4.3% during the year under review, down from 2 853 to 2 729. Hereto follows a statistical overview of the tourist permits issued for the region:

Table 9: Tourist Permit Statistics

COUNTRY	2018/19	2017/18	% MOVEMENT
Regional	2 676	2 793	(4.2)
Cabotage	53	60	(11.7)
TOTAL	**2 729**	**2 853**	**(4.3)**

The Agency has noted the decline in the number of permits issued year on year and will be commissioning a research in the 2019/2020 financial year to determine the macro-economic factors which resulted in the decline.

4.2.4. Strategy to overcome areas of under performance

The programme achieved all planned targets for the year.

4.2.5. Changes to planned targets

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

4.2.6. Linking performance to budgets

Table 10: Expenditure: Regulatory Services

	2018/2019			2017/2018		
PROGRAMME	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	19 798	18 337	1 461	23 901	16 086	7 815

The programme achieved its targets within the budgeted allocation and the underspending is mainly attributable to the implementation of cost containment measures due to non-promulgation of permit tariffs regulations.

4.3 Programme 3 Profiling Services

4.3.1. Introduction

This programme exists mainly to ensure compliance by operators with road transport legislation and provisions of the bilateral agreements. The main aim is to enhance the safety of freight and passengers in the Southern African Region through compliance with relevant laws and regulations.

The programme generates law enforcement compliance intelligence through profiling of operators. These profiles are based on the operational conduct of operators against regulatory requirements. Information is collected through vehicle inspections and prosecutions conducted by the Road Transport Inspectorate as well as profiling of operators with respect to the return of passenger lists, consignment notes and expired permits and other information gathering approaches. The information gathered, and profiles of operators and routes are used by the Regulatory Committee to make informed decisions in considering permits applications.

This programme has the following strategic objective:

- To improve compliance with road transport legislation

4.3.2 Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievement

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

Table 11: Profiling Services Performance against Pre-determined Objectives

STRATEGIC OBJECTIVE: TO IMPROVE COMPLIANCE WITH ROAD TRANSPORT LEGISLATION						
KPI NO.	**KEY PERFORMANCE INDICATOR**	**ACTUAL ACHIEVEMENT 2017/18**	**PLANNED TARGET 2018/19**	**ACTUAL ACHIEVEMENT**	**DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2018/19**	**COMMENT ON DEVIATION**
3.1.	Number of operator and corridor profiling reports for decision making	Target achieved. 4 Section 39 reports submitted to the Regulatory Committee for decision making	4 Operator and Corridor Profiling (Section 39) reports submitted to Executive Committee for recommendation	Target Achieved Four (4) Operator and Corridor Profiling (Section 39) reports were considered by the Executive Committee and recommended to the Regulatory Committee.	None as the target was achieved	None as there was no deviation

4.3.2.1 Narrative summary of programme performance information

- **Number of operator and corridor profiling reports for decision making**

The Agency has successfully met the targets that was set for the year as four (4) Section 39 Report were compiled, providing statistical information related to non-compliance by operators. These reports were used by the Regulatory Committee in making informed decisions on the permit applications. The report also includes the rate of return of expired permits by the operators as well as the return rate of passenger lists and consignment notes.

4.3.3 Other programme priorities

The Agency's commitment to improve compliance with road transport legislation is further visible in the activities that were conducted in relation to law enforcement. Some of the activities were conducted in partnership with the Road Traffic Management Corporation and other law enforcement agencies. The following are some of the activities relating to law enforcement function:

- Participated in Joint Law Enforcement operations,
- Desktop analysis of vehicle Inspections – this analysis enables the Agency to provide well-informed data in relation to non-compliance by operators. This include those operating without permits, fraudulent permits, expired permits and cancelled permits,
- Protect Operator Markets – this entails referral of non-compliant operators to the Agency to acquire permits,
- Developed law enforcement profile – this entails compilation of compliance checklists for the Regulatory Committee to use as reference for decision making during Regulatory Hearings.
- Profiled cross-border road transport operations to determine compliance and direct law enforcement operations.

4.3.4 Strategy to overcome areas of under performance

The programme achieved the target set for 2018/19.

4.3.5 Changes to planned targets

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

4.3.6 Linking performance to budgets

Table 12: Expenditure: Profiling Services

	2018/2019			2017/2018		
PROGRAMME	**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	22 995	55 740	3 836	30 986	23 503	7 483

The programme achieved its targets within the budgeted allocation. The overspending was due to the expenditure in relation to the Road Transport Inspectorate function which was transferred to Road Traffic Management Corporation and initially not budgeted for. However, although this was not budgeted for, thus function was fully funded from the penalty income generated during the year.

4.4 Programme 4 Stakeholder Management

4.4.1. Introduction

This programme ensures that partnerships with key role players within South Africa and SADC are developed to enhance regional social integration and economic development. Its primary aim is to ensure collaboration with both the primary and secondary stakeholders within the industry with the objective of encouraging sectoral transformation.

The Programme facilitates regional integration through a structured campaign that seeks to influence the African agenda for change.

This programme has the following strategic objective:

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

4.4.2. Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievement

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

Table 13: Stakeholder Management performance against pre-determined objectives

STRATEGIC OBJECTIVE: TO ESTABLISH AND SUSTAIN STRATEGIC PARTNERSHIPS WITH STAKEHOLDERS 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 2017/18**	**PLANNED TARGET 2018/19**	**ACTUAL ACHIEVEMENT**	**DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2018/19**	**COMMENT ON DEVIATION**
4.1.	Developed and implemented stakeholder management plan	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.	Implemented Stakeholder Management Plan	Target Achieved. The Stakeholder Management Plan was implemented during the year and the consolidated stakeholder engagements outcomes report was approved by the Board.	None, target achieved	None
4.2.	Facilitated the implementation of the SADC protocol and regional agreements	Target achieved. The SADC workshop was held during the October Transport Month. A Transport Forum to fast track the implementation of the SADC Protocol.	Monitored compliance by member states to the SADC Protocol and regional agreements	Target Achieved. Assessment report on the level of compliance with the SADC Protocol and regional agreements was approved by the Executive Committee.	None, target achieved	None

4.4.2.1 Narrative summary of programme performance information

- **Developed and implemented Stakeholder Management Plan**

As part of its efforts towards achieving the objective of establishing and sustaining strategic partnerships with stakeholders, the Agency continued with the planned stakeholder engagements that were targeted in line with the approved Stakeholder Management Plan. The outcomes of the efforts undertaken during 2018/19 were highlighted in the outcomes report. There is also a need to reduce the number of operator forums engagements to improve efficiency and to follow-up on matters raised by the operators.

The consolidated stakeholder engagements outcomes report covers outcomes of several engagements, including but not limited to the National Stakeholder Consultative Forum, Border Management Authority (BMA) meetings, Operators' Fora (freight, minibus, tourist and bus operator's), Corridor meetings (Trans-Kalahari Corridor, Maputo Corridor Logistics Initiative, Maputo Development Corridor Working Groups), the Joint Route Management Group and Route Committees. The report also covers engagements outcomes with the International Cross-Border Transport Organisation (ICBTO), Freight Associations (i.e. South African Association of Freight Forwarders) and the Bus Associations Amalgamation (SABOA, SACBOA & SAIPFA).

- **Facilitated the implementation of the SADC Protocol and regional agreements**

The Agency achieved the target set for the financial year as the compliance assessment report indicating the level of compliance by member states to the SADC Protocol was compiled.

In line with the mandate of the Agency to enhance and strengthen the capacity of the public sector in support of its strategic planning, enabling and monitoring functions, the report that was compiled will assist in terms of identifying areas that need improvement as the level of compliance by member states is very poor. Further to that, the Agency championed for the establishment of the Cross-Border Road Transport Regulators Forum, which consist of regulators from SADC member states, as a platform to pursue harmonization and regional integration. As a pioneer of the forum, the Agency developed the forum action plan and provided leadership for the implementation of this action plan. The plan is geared towards monitoring compliance by member states, whereby the said member states are tasked with key performance areas to monitor the level of compliance. Although the year ended with very limited progress towards the implementation of the action plan, the forum is resolute to address non-compliance to the SADC Protocol.

4.4.3. Other Programme Priorities

Further to the targets outlined in the APP, the Agency conducted additional activities to ensure delivery and success in terms of establishing and sustaining strategic partnerships with stakeholders to enable the Agency to achieve its objectives. The activities include but not limited to:

- Conducted individual consultations/engagements with government stakeholders;
- Signed MOU's with other institutions with shared interests;
- Convened bilateral meetings and drafted bilateral agreements with Lesotho, Botswana, Swaziland, Tanzania, Angola and Namibia;
- Resolved operator constraints through engagements with relevant authorities;
- Implemented the stakeholder engagement plan of the Linking Africa Plan and positioned the third-party insurance with key decision makers;
- Participated in the National Ministerial Task Team set to resolve the RSA/Lesotho Cross Border Passenger Impasse

4.4.4 Strategy to overcome areas of under performance

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

4.4.5 Changes to planned targets

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

4.4.6 Linking performance to budgets

Table 14: Expenditure: Stakeholder Management

	2018/2019			2017/2018		
PROGRAMME	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	15 684	13 424	2 260	23 879	12 744	11 135

The programme achieved its targets within the budgeted allocation and the underspending is mainly attributable to the implementation of cost containment measures.

4.5 PROGRAMME 5 RESEARCH AND ADVISORY SERVICES

4.5.1. Introduction

The purpose of this programme is to provide advisory and strategic support to key industry stakeholders through application of technical expertise and management of key projects and research initiatives. 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 vital role of enhancing the visibility of the organisation through pro-active sharing of information at key strategic platforms across the region.

This programme has the following strategic objectives:

- To proactively provide value-added advisory services to the Minister of Transport and other relevant stakeholders on cross-border matters in the transport sector.
- To proactively promote transformation and development of the cross-border industry.

4.5.2. Strategic Objectives, Performance Indicators, Planned Targets and Actual Achievement

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

Table 15: Research and Advisory Services 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 2017/18**	**PLANNED TARGET 2018/19**	**ACTUAL ACHIEVEMENT 2018/19**	**DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2018/19**	**COMMENT TO DEVIATION**
4.1.	Number of Annual State of Cross-border operations reports (ASCBOR) submitted to the Minister and other relevant 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.	1 ASCBOR report to the Minister and other stakeholders	Target Achieved. The ASCBOR was produced and approved by the Board and submitted to the Minister of Transport, DoT and shared with relevant stakeholders.	None, target achieved.	None
4.2.	Number of country profiles developed or updated	Target achieved. 2 country profiles for Swaziland and Botswana were developed during the financial year.	2 country (Zambia and Namibia) profiles developed	Target Achieved. Zambia and Namibia country profile reports were compiled and approved by the Executive Committee	None, target achieved.	None
4.3.	Developed model to calculate transit and cost of delays at commercial border posts	Target achieved. The Cross-Border Flow calculator concept document was approved by the Board	Piloted Cross-border Flow calculator model at 3 border posts (Beitbridge, Lebombo and Martin Drift)	Target achieved. The pilot reports were submitted and approved by the Executive Committee	None, target achieved.	None

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 2017/18**	**PLANNED TARGET 2018/19**	**ACTUAL ACHIEVEMENT 2018/19**	**DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2018/19**	**COMMENT TO DEVIATION**
4.4.	Developed and implemented industry development strategy	Target achieved. Board Approved Industry Development Strategy submitted to the Minister	Implemented Industry Development Strategy	Target achieved. Interventions as per the IDS project plan were implemented and the implementation report was approved by the Executive Committee.	None, target achieved.	None

4.5.2.1 Narrative summary of programme performance information

- **Annual State of Cross-Border Operations Report**

During the year under review, the Agency compiled the Annual State of Cross-Border Road Transport Report (ASCBOR). The report was approved by the Board and submitted to the Minister of Transport, the DoT and shared with relevant stakeholders. Further to that, the Agency also conducted an ASCBOR Seminar to present and discuss the 2017/18 ASCBOR with key stakeholders in the industry.

ASCBOR is a tool to proactively provide value added advisory services to the Minister of Transport and other stakeholders as it provides advice and consolidated information to the Minister of Transport, the Department of Transport and other key stakeholders in the trade and transport value chains. This report articulates the current state of cross-border road transport infrastructure (covering both hard and soft infrastructure issues), constraints facing cross-border operations in the Common Market for Eastern and Southern Africa (COMESA), Eastern African Community (EAC) and Southern African Development Community (SADC) Tripartite (or COMESA-EAC-SADC Tripartite), the state of regional integration and progress made towards integrating transport in the Tripartite regions, progress on implementation of continental and regional programmes with a bearing on cross-border road transport, the state of corridor performance monitoring in the Tripartite region, recommended reforms and action plans aimed at addressing identified challenges and to improve trade and transport in the region, amongst others.

- **Development of Country Profile reports**

The Agency successfully compiled country profiles for both Zambia and Namibia as planned for the year. These reports were approved and subsequently published on the website and shared with relevant stakeholders.

The aim of country profile reports is to provide a consolidated platform for the dissemination of information on a specific country that is useful to key stakeholders in the cross-border environment, particularly cross-border road transport operators, regulatory authorities and trading parties with a view to improve business opportunities, operational efficiency, productivity and sustainability. It is envisaged that the reports will go a long way towards providing information to cross border operators, regulatory authorities and trading parties conducting operations between South Africa and the said countries with invaluable information.

- **Cross-Border Flow Calculator**

The Agency has achieved the annual target of pilot studies at three border posts namely: Beitbridge, Lebombo and Grobler's Bridge.

This project serves to provide validated data that enhance information shared in the advisory services rendered by the Agency. The main aim of the project was to pilot the Cross-Border Flow Calculator Model developed to calculate transit times at the borders. The project also intends calculating the economic impact of the delays at border posts.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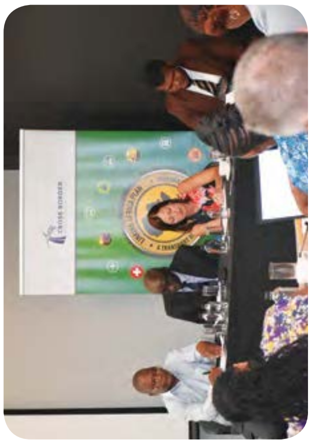


- **Developed and implemented Industry Development Strategy**

The Agency developed the Industry Development Strategy in the previous financial year and implemented the interventions as per the approved implementation plan during 2018-2019 financial year. This initiative is useful in enabling the Agency to make meaningful contribution towards transformation and the development of the cross-border industry. Among initiatives that were carried out as per the implementation plan are:

- Developed a database of over 390 clearing and forwarding agents. These are strategic stakeholders that will be engaged with respect to reducing the delays at the borders as well as inherent opportunities for new entrants;
- Appointed 10 Road Safety Ambassadors. This is a cross functional Road Safety Team that consists of members from various line functions within the Agency to coordinate impactful operations relating to road safety;
- Transferred invaluable skills to 132 young people in specific border towns through training and fixed period employment. It is these effort that have created a very good working relationship with communities along the borders, creating awareness of opportunities that exist within their communities because of their geographical location and proximity to the borders;
- Increased the Agency's visibility to communities around the country, particularly those communities that are located along regional road transport corridors leading to the borders and beyond;
- Through partnership with Ditshaba Consulting, conducted training for participants of the Mentorship Programme designed to empower cross-border operators with business management skills; and
- Enhanced collaboration and relations with strategic stakeholders including the Department of Transport and other road transport entities in the country to enable implementation of various programmes.

4.5.3. Other Programme Priorities

Research and Advisory Programme is key to the provision of direct and indirect support to the achievement of strategic objectives and mandate of the Agency. Some of the key priority initiatives that were undertaken by the Agency during the financial year include but not limited to:

- Reviewed and finalized the Linking Africa Plan;
- Piloted a model to estimate the cost of doing business on the North-South Corridor and Maputo Development Corridor;
- Research on cross-border road transport trade volumes passing through 19 commercial border posts between South Africa and neighbouring countries;
- Produced Harmonisation Audit Report on SADC Protocol and Agreements;
- Conducted route assessments - assessing cross-border passenger infrastructure facilities at origin and destination points and key nodal points;
- Developed a concept document on Corridor Performance Indicators (CPI) and related implementation plan;
- Conducted research on Sale of Information as a revenue stream;
- Published relevant papers and presented papers at relevant conferences/ summits/ workshops;
- Established a baseline on cross-border operators demographics;
- Benchmarked regulatory practices; and
- Conducted Border Towns Initiatives.

4.5.4. Strategy to overcome areas of under performance

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

4.5.5. Changes to planned targets

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

4.5.6. Linking performance to budgets

Table 16: Expenditure: Research and Advisory Services

PROGRAMME	2018/2019			2017/2018		
	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	11 037	9 197	1 840	14 582	11 060	3 522

The programme achieved its targets within the budgeted allocation and the underspending is mainly attributable to the implementation of cost containment measures.

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 17: Portfolio Committees

DATE	PARLIAMENTARY STRUCTURE	FOCUS	KEY ISSUES	PROGRESS UPDATE
18 April 2018	Portfolio Committee on Transport (PCoT)	Presentation of the C-BRTA Strategic Plan 2015-2020 and Annual Performance Plan 2018/19 to the Portfolio Committee on Transport.	The C-BRTA was commended for the comprehensive presentation.	The Annual Performance Plan 2018/19 was implemented; and the Board provided oversight on the implementation of the plan. 92.31% of the planned targets were achieved for the financial year.
16 October 2018	Portfolio Committee on Transport (PCoT)	Presentation of the 2017/18 Annual Report and Financial Statements briefings	The C-BRTA was commended for the comprehensive presentation and the following key areas were raised: • Progress on the RSA/Lesotho passenger transport impasse; and • Board vacancies and Board constitution. The Chairperson of the Board raised Board challenges of the C-BRTA	The Agency continues to champion the resolution of the RSA/Lesotho impasse on cross-border road transport operations and the resultant conflict that has created an incongruity with the provisions of the Cross-Border Road Transport Act (No 4 of 1998) on passenger operations between Lesotho and South Africa. The C-BRTA is part of the National Ministerial Task Team tasked with the responsibility of finding a lasting solution to the impasse. The Board vacancies and constitution remain unresolved as at year end. The Agency engaged the Department of Transport (DoT) to appoint the requisite technical expertise to the Board. As at the reporting date, the DoT placed adverts for the nomination of Board members of the C-BRTA.
4 December 2018	Portfolio Committee on Transport (PCOT)	Meeting on governance challenges at the Cross-Border Road Transport Agency (C-BRTA)	The Committee expressed a concern about the differences that exist at Board level and their impact on the functioning of the Agency. The Committee requested the Board to work together to resolve the differences.	The Board continues to operate and provide oversight to the Agency and the process of resolving the governance challenges is on-going.

3. The Executive Authority

In accordance with the PFMA reporting requirements, the Board submitted quarterly financial reports, performance reports and compliance checklist to the Minister of Transport within 30 days of the end of each quarter. The Annual Report of the previous financial year, including audited annual financial statements, were submitted to the Minister and presented at the Annual General Meeting where the Deputy Minister was in attendance as a proxy for the Minister. The Deputy Minister expressed appreciation for the efforts that the Agency is putting towards the achievement of its mandate and further encouraged the Board to focus on achieving its planned targets and improve the level of organizational performance.

The Minister was also sensitized on the need to fill vacancies in the Board with requisite skills as required by the C-BRT Act.

4. The Board

4.1. Introduction

In accordance with the C-BRT Act, the Agency is represented and governed by the Board of Directors, which is responsible for providing oversight and strategic direction to the Agency. 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 the management of performance;
- Ensuring that appropriate policies are in place;
- Ensuring that the Agency complies with all relevant laws, laws and government policy;
- Ensuring that risks of the organisation are properly managed and mitigated;
- Defining the levels of materiality;
- Assessing the effectiveness of internal control environment;
- Setting the corporate governance systems;
- Ensuring sound ICT governance and effective and efficient use of IT systems;
- Recommending the appointment and reviewing the performance of the CEO; 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 oversight and strategic direction and approves the five (5) year Strategic Plan, Annual Performance Plan and the related budget, which are submitted to the Minister of Transport. The Board further monitors the Agency's financial and non-financial performance on a quarterly basis. Where there is non-achievement of targets, management provides reasons for deviations and remedial actions to ensure recovery of under-performance.

The Board further monitors compliance with all laws that are applicable that have an impact on the Agency's business. Where necessary, policies are developed and reviewed to align with the legislative requirements, thereby improving compliance with laws and regulations.

The Board meets four (4) times a year. Special meetings are convened as and when the need arises. Board meetings are scheduled in advance and members are provided with the necessary information well in time to prepare for the meeting. The Board meets with the Minister on arrangement. The Board presents the Annual Report including the audited Annual Financial Statements for the Minister's adoption at the Annual General Meeting. The Board and the Minister conclude an annual performance agreement which sets out the roles and responsibilities of both parties.

4.3 Board Charter

The Board operates in accordance with the Board Charter which it reviews on an annual basis. The Board Charter sets out the roles, structures and functions of the Board and its various committees as well as procedures for Board meetings. The Board 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 evaluation of the Board, its committees and members' performance were finalized in the financial year under review and a report thereon was submitted to the Shareholder.

4.4 Composition of the Board

In accordance with the C-BRT Act, the Board should comprise of twelve (12) directors, of whom eleven (11) are non-executive directors. As at 31 March 2019, a total of four (4) vacancies existed on the Board with the CEO being the only executive director.

There were no new appointments and terminations during the period under review.

The Chief Executive Officer is the only executive director on the Board. The Minister appoints the non-executive directors for a term of three (3) years, as well as a Chairperson and a Deputy Chairperson from the non-executive directors for a term of office not exceeding three (3) years. Non-executive directors are eligible for re-appointment but for not more than three (3) consecutive terms of office. The Minister, after consultation with the Board, appoints the Chief Executive Officer for a period of five (5) years. As per King IV recommendation and in line with the C-BRT Act, the positions of the Chairperson and the Chief Executive Officer do not vest in one person.

The table below discloses relevant information on the Board members:

BOARD MEMBERS

Table 18: List of C-BRTA Board members, qualifications and other directorships

MEMBER		DATE APPOINTED	DATE RESIGNED/RETIRED	QUALIFICATIONS	NO. OF MEETINGS ATTENDED
	Mr Mosoeunyane Ramathe **Chairperson of the Board** **Chairperson of Regulatory Committee**	1 May 2016	N/A	• B Com, Wits • B Com Acc, Wits • Chartered Accountant (SA) • Diploma in Project Management(RAU)	8 out of 9
	Prof Jan Havenga **Deputy Board Chairperson, Deputy Chair of Regulatory Committee and Chairperson of Procurement Committee**	1 May 2016	N/A	• Doctor of Philosophy in Logistics Management, University of Stellenbosch • Master of Business Leadership (UNISA) • BA Hons, (UOFS)	8 out of 9
	Mr Msondezi Futshane **Shareholder representative and member of Regulatory Committee**	07 March 2017	N/A	• B Tech in Transportation Engineering (TUT) • Transportation Management Diploma (RAU) • Diploma in Advanced Project Management, Executive Education • S4 in Civil Engineering (ND), Eastern Cape Technicon	3 out of 9

MEMBER		DATE APPOINTED	DATE RESIGNED/RETIRED	QUALIFICATIONS	NO. OF MEETINGS ATTENDED
	Mr Ignatia Sekonyela **Chairperson of Human Resources and Remuneration Committee**	1 May 2016	N/A	• Corporate Governance and Board Effectiveness (IODSA) • Advanced Labour Law (UNISA) • General Strategy Development (GIBS) • Project Management Certificate (GIBS) • Senior Management Program (UP Business School) • Diploma HR (Damelin) • B A Honneurs Sielkunde (RAU) • B Cur Degree (Medunsa)	5 out of 9
	Mr Raymond Baloyi **Member of Human Resources and Remuneration Committee, Regulatory Committee and Procurement Committee**	1 May 2016	N/A	• BA Development Studies, University of East Anglia, 1978, Norwich, England • M Sc Town and Transport Planning, University of Cardiff, 1980, Cardiff, Wales • M Phil Urban Studies, Aston, University, 1985, Birmingham, England	9 out of 9
	Mr Lucky Thekisho **Member of Human Resources and Remuneration Committee and Regulatory Committee**	1 May 2016	N/A	• BLC, LLB, LLM (Labour Law), UP • Advanced Labour Law, CE@UP • Legislative Drafting, CE@UP • Environmental Law and Compliance, UJ	6 out of 9
	Keitumetse Mahlangu **Member of Audit and Risk Committee**	1 May 2016	N/A	• 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	4 out of 9
	Mr Sipho Khumalo **Member of the Board and Regulatory Committee**	01 April 2010	N/A	• Master's in Public and Development Management • BA (Hons) • Global Executive Development Programme, GIBS	9 out of 9

4.5. Board Committees

The Table below depicts a summary of meeting held by the Board committees during the financial year.

Diagram 3: Board Committees meeting schedule

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 Reference. The Committee is responsible for review of human resources management policies and monitors employees' performance and rewards. The Committee comprises three (3) non-executive directors.

Table 19: REMCO meetings

MEMBER	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
Ms I Sekonyela	7	7 out of 7
Mr L Thekisho	7	6 out of 7
Mr R Baloyi	7	7 out of 7

4.7. Procurement Committee

The Committee convenes its meetings when there are tenders to be adjudicated and comprises of two members. The Chief Financial Officer have a standing invitation to the committee.

Table 20: Procurement Committee meetings

MEMBER	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
Prof Havenga	2	2 out of 2
Mr R Baloyi	2	2 out of 2

4.8. Regulatory Committee

The Regulatory Committee is a statutory committee established in terms of section 13 of the C-BRT Act. The membership of the Committee is prescribed by the Act.

The Committee operates in accordance with a Regulatory Committee Practice Manual, which has been approved by the Board.

The Committee holds its scheduled meetings every quarter. Special meetings may be scheduled as and when required.

Table 21: Regulatory Committee meetings

MEMBER	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
Mr M Ramathe	4	4 out of 4
Prof Havenga	4	4 out of 4
Mr S Khumalo	4	3 out of 4
Mr R Baloyi	4	4 out of 4
Mr L Thekisho	4	1 out of 4
Mr M Futshane	4	0 out of 4

Table 22: Regulatory hearings

MEMBER	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
Mr M Ramathe	8	8 out of 8
Prof Havenga	8	8 out of 8
Mr S Khumalo	8	5 out of 8
Mr R Baloyi	8	8 out of 8
Mr L Thekisho	8	2 out of 8
Mr M Futshane	8	1 out of 8

5. Risk Management

The Board takes overall responsibility and accountability for risk management. The Board, through the Audit and Risk Committee, has ensured that management reviewed key risks and response strategies to manage the risks. The Board relied on the strategic risk register to monitor the effectiveness of such strategies and received assurance that the identified strategic risks are appropriately mitigated.

Furthermore, during the financial year under review, the Board approved the revised Enterprise-wide Risk Management Framework to set the tone for risk management within the Agency and provide leadership and guidance to enable management to properly perform their duties in respect of the effective management of risks.

6. Internal Control Unit

Internal control operates as an integral part of the financial management activities in the Agency. During the year under review, internal controls deficiencies and risks which may hamper achievement of the C-BRTA's objectives were identified and mitigated to ensure that the Agency achieve its objectives and that its resources are managed in an effective, efficient and economic manner.

The focus of the internal control function has been to review progress made by management in addressing internal and external audit findings to prevent recurrence of similar findings. The activities are in line with the internal control framework to provide the Board and management with reasonable assurance that C-BRTA has a sound system of internal control.

For the period ending March 2019, 97% (28) of the 29-external audit findings issued in 2017/2018 were resolved whereas 73% (41) of the 56 internal findings were also resolved and further mitigation controls are in progress in line with the committed timeframes.

Management has also committed to review the internal control framework to ensure alignment with best practices and National Treasury directives.

7. Internal Audit and Audit Committees

7.1 Internal Audit

Internal Audit function is an integral part of the Agency's corporate governance. The Agency has established an internal audit function in line with the Public Finance Management Act (PFMA) and Treasury Regulations. The purpose of the function is to evaluate the effectiveness of the internal control system to ensure:

- The achievement of the Agency's strategic objectives;
- The efficiency and effectiveness of the Agency's operations;
  - Safeguarding of the Agency's assets;
  - The reliability and integrity of financial and non-financial information; and
  - Compliance with laws and regulations.

The Internal Audit Function reports functionally to the Audit and Risk Committee and administratively to the Executive: Office of the CEO.

7.2 Key objectives of the Internal Audit function

In line with the PFMA and Treasury Regulations, the Internal Audit Function provides assurance to the Board, through the Audit and Risk Committee, that the system of risk management, governance and internal control is appropriate, adequate, and effective to mitigate business risks. Furthermore, the function ensures that there is improvement in the internal control system within the Agency, as well as compliance with applicable legislation.

7.3. Summary of work done

Progress against the Annual Audit Plan was reported on a quarterly basis. The Internal Audit Function executed and completed all the audits on the approved plan. Where controls were found to be deficient or not operating as intended, recommendations for enhancement or improvement were provided. Significant deficiencies were reported to the Audit and Risk Committee on a quarterly basis.

The Internal Audit Function prepared a three-year Audit Coverage Plan and Annual

Operational Audit Plan after consideration of major risks facing the Agency. The plans were approved by the Audit and Risk Committee.

Internal Audit assisted management in identifying, evaluating and assessing significant organisational risks and provided reasonable assurance as to the adequacy and effectiveness of related internal controls, i.e. whether controls are appropriate and functioning as intended.

7.4 Audit and Risk Committee

Table 23: Audit and Risk Committee members

NAME	QUALIFICATIONS	INTERNAL/EXTERNAL	DATE APPOINTED	DATE RESIGNED	NO. OF MEETINGS ATTENDED
Ms P Mzizi	• Chartered Accountant (SA) • B Com Honours in Transport Economics, UNISA • B Com Honours – CTA, UNISA • BBusSci Finance Honours , UCT	External	17 May 2010	N/A	12 out of 12
Mr P Fourie	• Chartered Accountant (SA) • B Com Honours, UP • Certificate in Theory in Accountancy, UP	External	1 March 2016	N/A	11 out of 12
Mr A Wakaba	• Master in Business Administration, Univ. of Stellenbosch • B Compt Honours, Univ. of Transkei • B Com (Accounting), Univ. of Transkei	External	1 March 2016	N/A	12 out of 12
Ms K Mahlangu	• 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	External	1 April 2016	N/A	8 out of 12

8. Compliance with Laws And Regulations

The Agency has a long-standing principle of ensuring compliance with the laws and regulations governing its business activities. Adherence to this principle is the responsibility of every employee and is critical to help protect and enhance the reputation of the Agency. The Board has affirmed the importance of these principle by approving the Compliance Manual and Framework. The Agency has developed a compliance universe consisting of all pieces of legislation applicable to the Agency which it monitors on a quarterly basis. A quarterly compliance report is provided to the Board, through the Audit and Risk Committee. The compliance checklist is submitted to the Minister of Transport on a quarterly basis. Remedial action is recommended should incidence of non-compliance be identified. In addition to the pieces of legislation, the Agency also tracks compliance with the SADC Protocol and bilateral agreements.

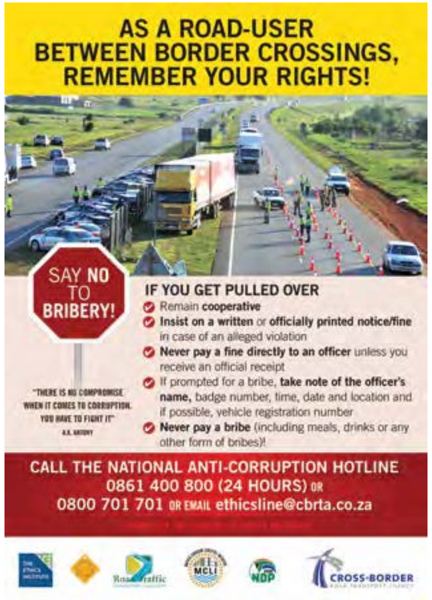
Regulatory changes affecting the Agency are communicated to the relevant internal stakeholders on an on-going basis. As and when required, such changes are also incorporated into the Agency's risk management framework. Policies are continuously reviewed to align with the legislative developments. Compliance awareness takes place in the form of newsletters, workshops and presentations and are designed to increase awareness of and enhance compliance with applicable legislation.

9. Fraud And Corruption

The Agency has a zero-tolerance approach towards fraud, corruption and unethical conduct. Incidents of fraud are corruption are reported using the Public Service Commission hotline at 0800 701 701 or through internal mechanism at ethicsline@cbrta.co.za. All reports received are treated with confidentiality and can be made anonymously. All reported incidents are independently evaluated by officials within the Integrity Management Services and where appropriate, investigated internally and/ or referred to the appropriate external party for investigation.

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 and Integrity Management Framework.

During the last financial period, the Agency embarked on a successful campaign to drive awareness and mitigate fraud and corruption on the N4 Corridor.



10. Minimising Conflict of Interest

Employees of the Agency including members of the Board are required to make annual financial disclosures through the prescribed manner. These are submitted to and reviewed by Integrity Management Services. Inconsistencies from what has been declared by employees are followed up with affected parties, where appropriate, disciplinary measures can be initiated if there was under declaration or failure to declare.

All gifts received by employees are declared in writing in the gift register and approved. The gift registers are reviewed by officials from the Integrity Management Services on a quarterly basis.

Delegations of Authority are implemented for decision making in the procurement of goods and services and segregation of duties are also maintained within the supply chain management environment.

11. Code of Conduct

C-BRTA employees continue to adhere to the approved Code of Conduct, which outlines the values and behavioural patterns required from the employees of the Agency. Any reported case of non-compliance with the code will be investigated and appropriate action taken.

12. Health Safety and Environmental Issues

The Occupational Health and Safety (OHS) Act requires that health and safety in the workplace be monitored on a regular basis. The Agency revised the Occupational Health and Safety Framework during the year and the review of the framework will be finalized by the OHS Committee. The framework seeks to enhance compliance to the OHS Act.

13. Company Secretary

The Company Secretary assists the Board Chairperson 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 always 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 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, eleven (11) meetings were held, of which seven (7) were special meetings. The attendance record of different members is as detailed below. Except where otherwise indicated, apologies were tendered and absences noted for meetings not attended.

Table 24: Summary of Committee Meeting held

MEMBER	DATE											TOTAL OF ATTENDANCE
	17/4/2018	22/5/2018	26/05/2018	13/07/2018	17/07/2018	03/08/2018	07/08/2018	20/08/2018	22/10/2018	21/11/2018	29/01/2019	
Ms P Mzizi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11 out of 11
Mr PS Fourie	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10 out of 11
Mr A Wakaba	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11 out of 11
Ms K Mahlangu	✓	A	✓	✓	×	×	×	✓	✓	✓	✓	7 out of 11

✓ Present × Apology A Absent

Committee Responsibility

The Committee reports that it has complied with its responsibilities arising from section 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 that it has discharged it 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:

- Legislative compliance review;
- Information technology general controls review;
- Supply chain management review;
- Contract management review;
- Financial discipline review;
- Fixed assets management and maintenance review;
- Human resources and payroll review;
- International relations review;
- Regulatory/Permit follow up review;
- Risk Management and governance review;
- Travel and subsistence review; and
- Performance information.

The following were reported as areas of concern:

- Maturity assessment of the compliance function against the generally accepted compliance practice framework;
- Weaknesses in processes and procedures in terms of procurement planning;
- Contract management specifically non-compliance with SCM policy, inadequate monitoring of contracts and inaccurate contract register;
- SAGE system error for creditors/accounts payable; and
- Risk appetite framework that is not yet approved.

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: 14 August 2019

PART D

HUMAN RESOURCE MANAGEMENT

1. Introduction

Human Resource Management (HRM) is simply the process of employing people, training them, compensating them, developing policies relating to them, and developing strategies to retain them. As a field, HRM has undergone many changes over the last twenty years, giving it an even more strategic role in today's organisations.

In the year under review, the Agency adopted a robust approach in the implementation of the approved Human Resources Plan for 2017/2020. The implementation of the above was based on the objectives and targets of the Training Plan, Employment Equity Plan, Employee Health and Wellness Strategy and Organisational Culture Change programmes.

Overview of HR matters at the C-BRTA

The Human Resources function as the anchor of the organisation is a critical driver of organisational change and leadership development. The culture of the C-BRTA is shaped into a service excellent organisation that appreciates and care for its people and clients. The Agency hosted its second Annual Performance Awards for the 2017/18 financial year in August 2018 which was followed by the divisional Performance Awards for 2018/19 in March 2019.

Employee performance management framework

The Performance Management Policy was successfully reviewed and approved by the Board in the year under review. Performance management automation project was successful and finalised during 2018/19 financial year. The Performance Recognition and Rewards Framework was reviewed and approved, which resulted in the successful hosting of the improved divisional performance awards.

Employee wellness programmes

Wellness programs are good at helping employees adopt and maintain healthy behaviours and lifestyles. Healthy behaviours lead to lower health risks, and lower health risks lead to less chronic disease. With less chronic disease employees have fewer health care costs. In a quest to maintain a healthy workforce, the C-BRTA participated in different programmes including those on the National Health Calendar. The following programmes and health related initiatives were undertaken: -

- MTN – Walk the Talk Event;
- Organised a Talk on Women Issues – **Women's Day;**
- Celebrated different Indigenous Traditional Cuisines – **Heritage Day;**
- Organised a Wellness Day which started with a 4km walk and culminated into Health Risk Assessment; and
- Assessment including HIV/AIDS check-ups – **World AIDS Day.**

Policy development and reviews

Several policies were reviewed during 2018/19 financial year, these include Recruitment and Selection; Reward and Remuneration; Performance Management; Disciplinary Code and Procedures; Leave; Bereavement; Hours of Work; Grievance; Probation Policy; Employee Assistance Programme; Sexual Harassment; Learning and Development and Cell Phone Policy.

2. Human Resource Oversight Statistics

Table 25: Personnel cost by programme

PROGRAMME	TOTAL EXPENDITURE PER PROGRAMME (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	127 349	75 043	58.92%	82	915
Profiling	55 740	16 583	29.75%	24	691
Regulatory Services	18 337	15 877	86.61%	34	467
Stakeholder Management	13 424	11 190	83.36%	13	861
Research and Development	9 196	7 621	82.87%	11	693
Total	**224 047**	**126 314**	**56.38%**	**164**	

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

Table 26: 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)
Top Management	19 532	15.46%	9	2 170
Senior Management	25 955	11.13%	18	1 442
Professional qualified	35 543	17.16%	35	1 016
Skilled	28 163	16.41%	58	486
Semi-skilled	16 097	11.22%	38	424
Unskilled	1 024	0.80%	6	171
Total	**126 314**	**100.00%**	**164**	

Table 27: Performance Rewards

PROGRAMME	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE (R'000)	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST (R'000)
Top Management	292	19 532	1.49%
Senior Management	743	25 955	2.86%
Professional qualified	1 722	35 543	4.84%
Skilled	1 173	28 163	4.17%
Semi-skilled	1 017	16 097	6.32%
Unskilled	46	1 024	4.49%
Total	**4 993**	**126 314**	**3.95%**

Table 28: Training costs programme

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	75 042	1 541	2.05%	72	21.11
Regulatory Services	16 583	28	0.17%	32	0.88
Profiling	15 877	691	4.35%	22	31.41
Stakeholder Management	11 190	10	0.09%	12	0.83
Research and Development	7 621	18	0.24%	11	1.64
Total	**126 314**	**2 289**		**150**	

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

Table 29: Employment and vacancies per programme

PROGRAMME	2017/18 NO. OF EMPLOYEES	APPROVED POSTS	2018/19 NO. OF EMPLOYEES	2018/19 VACANCIES	% OF VACANCIES
Administration	78	121	80	39	32.23%
Regulatory Services	36	48	34	14	29.17%
Profiling	24	40	24	16	40.00%
Stakeholder Relations	13	18	13	5	27.78%
Research and Development	13	21	11	10	47.62%
Total	**164**	**248**	**162**	**84**	**33.87%**

Table 30: Employment and vacancies per salary band

LEVEL	2017/18 NO. OF EMPLOYEES	APPROVED POSTS	2018/19 NO. OF EMPLOYEES	2017/18 VACANCIES	% OF VACANCIES
Top Management	8	10	8	1	10.00%
Senior Management	17	20	18	2	10.00%
Professional qualified	36	59	32	24	40.68%
Skilled	57	107	58	49	45.79%
Semi-skilled	40	46	40	8	17.39%
Unskilled	6	6	6	0	0.00%
Total	**164**	**248**	**162**	**84**	**33.87%**

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

Table 31: Employment changes per salary band

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top Management	8	1	0	9
Senior Management	17	1	0	18
Professional qualified	36	2	3	35
Skilled	57	6	5	58
Semi-skilled	40	1	3	38
Unskilled	6	0	0	6
Total	**164**	**11**	**11**	**164**

Table 32: Reasons for staff leaving

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	1	9%
Resignation	5	45%
Dismissal	1	9%
Retirement	1	9%
Ill-health	0	0%
Expiry of contract	3	27%
Total	**11**	

Table 33: Equity target and employment equity status (Male)

	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
LEVELS	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	4	0	1	0	0	0	0	0
Senior Management	8	0	0	0	0	0	2	0
Professional qualified	9	4	1	0	1	0	2	0
Skilled	14	0	0	0	1	0	0	0
Semi-skilled	7	0	2	0	0	0	0	0
Unskilled	2	0	0	0	0	0	0	0
Total	**51**	**4**	**4**	**0**	**2**	**0**	**4**	**0**

Table 34: Equity target and employment equity status (Female)

	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
LEVELS	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	4	0	0	0	0	0	0	0
Senior Management	6	0	0	0	2	0	0	0
Professional qualified	12	5	1	2	0	1	2	0
Skilled	39	7	2	2	1	2	4	0
Semi-skilled	24	0	2	0	0	0	0	0
Unskilled	4	0	0	0	0	0	0	0
Total	**89**	**12**	**5**	**4**	**3**	**3**	**6**	**0**

Table 35: People leaving with disabilities

	DISABLED STAFF			
	MALE		FEMALE	
LEVELS	CURRENT	TARGET	CURRENT	TARGET
Senior Management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Total	**0**	**0**	**0**	**0**

PART E

FINANCIAL INFORMATION

Index

Abbreviations

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

Accounting Authority's responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is 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 Cross-Border Road Transport Agency ("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 have reviewed the Agency's cash flow forecast for the year to 31 March 2020 and, considering 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.

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 63.

The annual financial statements set out on page 66 to 103 , which have been prepared on the going concern basis, were approved by the Accounting Authority on 29 July 2019 and were signed on its behalf by:

Mr M Ramathe
Chairperson of the Board

Mr C Letsoalo
Chief Executive Officer (Acting)

Pretoria
29 July 2019

Report of the Auditor-General to Parliament on Cross-Border Road Transport Agency

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Cross Border Road Transport Agency set out on pages 66 to 103, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and 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 Cross Border Road Transport Agency as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act (PFMA) of South Africa, 1999 (Act no. 1 of 1999).

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 public entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* 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 codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Authority for the financial statements

6. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with 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.
7. 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 appropriate governance structure either intends to liquidate the public 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

8. 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.
9. 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

10. 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.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public 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.
12. 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 public entity for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 2 – Regulatory Services	29 – 31

13. 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.

14. I did not raise any material findings on the usefulness and reliability of the reported performance information for this programme:
    - Programme 2 - Regulatory Services

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 19 to 40 for information on the achievement of planned targets for the year and explanations provided for the under/over achievement of a significant number of targets.

Report on the audit of compliance with legislation

Introduction and scope

17. 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 public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

18. 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

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the foreword by the chairperson of the Board, the acting CEO's overview, the audit committee's 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.

20. 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.

21. 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.

22. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

23. 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

24. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public'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.

25. At the date of this report investigations are being carried out by the Accounting Authority. The investigations are related to the alleged conduct of the Chief Executive Officer. The impact, if any, on the financial statements of the Cross Border Road Transport Agency can only be determined once the investigations have been concluded.

Auditor-General

Pretoria

31 July 2019

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 public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the [board of directors, which constitutes the accounting authority
- conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 a public entity to cease continuing as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

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

Statement of Financial Position as at 31 March 2019

	NOTE(S)	2019 R	2018 RESTATED* R
Assets			
Current Assets			
Receivables from exchange transactions	6	1,956,522	1,348,345
Receivables from non-exchange transactions	7	5,064,326	6,130,443
Cash and cash equivalents	8	78,144,571	63,489,647
		85,165,419	**70,968,435**
Non-Current Assets			
Property, plant and equipment	3	7,759,035	7,489,083
Intangible assets	4	1,237,382	1,314,402
		8,996,417	**8,803,485**
Total assets		**94,161,836**	**79,771,920**
Liabilities			
Current liabilities			
Operating lease liability	20	804,134	114,896
Payables from exchange transactions	11	11,974,635	16,568,452
Provisions	9	7,879,239	170,300,466
Payables from non exchange transactions	10	6,666,035	6,044,416
		27,324,043	**193,028,230**
Non-current liabilities			
Operating lease liability	20	-	804,134
Employee benefit obligation	5	3,768,000	3,860,000
		3,768,000	**4,664,134**
Total Liabilities		**31,092,043**	**197,692,364**
Net Assets		**63,069,793**	**(117,920,444)**
Accumulated surplus		**63,069,793**	**(124,459,955)**

Statement of Financial Performance

	NOTE(S)	2019 R	2018 RESTATED* R
Revenue from non-exchange transactions	12	399,163,163	243,573,985
Other income	13	644,634	3,247,583
General expenses	18	(77,625,090)	(60,548,020)
Employee costs	15	(126,314,489)	(110,892,311)
Depreciation and amortisation	21	(3,399,621)	(2,210,600)
Assets written off and impaired	21	(259,184)	(812,851)
Operating lease rental	20 & 21	(11,002,525)	(10,917,652)
Provision for bad debt expense	17	(5,099,705)	(4,070,924)
Operating surplus	21	**176,107,183**	**57,369,210**
Interest received	14	5,230,054	4,560,825
Finance costs	16	(347,000)	(287,676)
Surplus for the year		**180,990,237**	**61,642,359**

Statement of Changes in Net Assets

	ACCUMULATED SURPLUS(DEFICIT) R	TOTAL NET ASSETS R
Balance at 01 April 2017	**(178,207,405)**	**(178,207,405)**
Transfer of assets	(1,355,398)	(1,355,398)
Net income (losses) recognised directly in net assets	**(1,355,398)**	**(1,355,398)**
Surplus for the year	55,102,848	55,102,848
Opening balance as previously reported	(124,459,955)	(124,459,955)
Prior-period error (Note 30)	6,539,511	6,539,511
Restated* Balance at 01 April 2018 as restated*	**(117,920,444)**	**(117,920,444)**
Surplus for the year	180,990,237	180,990,237
Balance at 31 March 2019	**63,069,793**	**63,069,793**

Cash Flow Statement

	NOTE(S)	2019 R	2018 RESTATED* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		237,549,170	245,258,527
Payments			
Employee costs		(124,676,280)	(110,129,597)
Suppliers		(98,290,915)	(102,356,848)
Permit refunds		(1,305,367)	(32,514,152)
		(224,272,562)	(245,000,597)
Net cash flows from operating activities	22	**13,276,608**	**257,930**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(3,397,090)	(3,916,547)
Purchase of other intangible assets	4	(454,648)	(1,318,595)
Interest income		5,230,054	4,560,825
Net cash flows from investing activities		**1,378,316**	**(674,317)**
Net increase/(decrease) in cash and cash equivalents		**14,654,924**	**(416,387)**
Cash and cash equivalents at the beginning of the year		63,489,647	63,906,034
Cash and cash equivalents at the end of the year	8	**78,144,571**	**63,489,647**

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
Statement of Financial Performance						
Revenue						
Revenue from non-exchange transactions						
Permit revenue	223,787,030	-	**223,787,030**	194,801,870	**(28,985,160)**	Comment (a)
Prescription of claims	-	-	**-**	162,716,567	**162,716,567**	Comment (b)
Other income	-	-	**-**	644,634	**644,634**	
Interest received - investment	4,292,610	-	**4,292,610**	5,230,054	**937,444**	Comment (c)
Total permit revenue and interest	**228,079,640**	**-**	**228,079,640**	**363,393,125**	**135,313,485**	
Penalty income						
Fines	-	**-**	**-**	41,644,726	**41,644,726**	Comment (d)
Total revenue	**228,079,640**	**-**	**228,079,640**	**405,037,851**	**176,958,211**	
Expenditure						
Employee costs	(138,300,287)	-	**(138,300,287)**	(126,314,488)	**11,985,799**	Comment (e)
Operating costs	(55,169,720)	-	**(55,169,720)**	(56,700,471)	**(1,530,751)**	Comment (f)
Depreciation and amortisation	(4,349,569)	-	**(4,349,569)**	(3,399,621)	**949,948**	Comment (g)
Finance costs and interest expense	-	-	**-**	(347,000)	**(347,000)**	
Administration fee - RTMC	-	**-**	**-**	(37,026,850)	**(37,026,850)**	Comment (h)
Total expenditure	**(197,819,576)**	**-**	**(197,819,576)**	**(223,788,430)**	**(25,968,854)**	
Operating surplus	30,260,064	-	30,260,064	**181,249,421**	**150,989,357**	
Assets written-off and impaired	-	-	-	(259,184)	**(259,184)**	
Surplus before taxation	**30,260,064**	**-**	**30,260,064**	**180,990,237**	**150,730,173**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**30,260,064**	**-**	**30,260,064**	**180,990,237**	**150,730,173**	

Explanation of variances

(a) Permit revenue

The budget was based on the permit tariff increase which did not materialise as anticipated. The permit tariffs will be increased by 4.7% in the next financial year.

(b) Prescription of claims

During the year the Agency applied Prescription Act on claims previously recognised as provision, which resulted in recognition of revenue in terms of GRAP 23. This revenue was not budgeted for as it was not anticipated.

(c) Interest received on investments

Interest income was 21% more than budgeted, which was mainly due to more cash reserves being invested in call and fixed deposits due to cost cutting measures and delays in projects.

(d) Fines

Fines were not budgeted for in respect of the financial year under review. This was due to the unanticipated reorganisation of law enforcement function during the last financial year after the budget has been finalised.

(e) Employee costs

Following the tarrif increase not published, only critical positions were filled in the 2018/19 financial year.

(f) Operating costs

This expenditure was more than budgeted for. Although savings were realised due to cost saving measures that were implemented during the year in light of the delays in implementing the permit tariff increases, the impact of the provision for doubtful debts resulted in operating costs more than budgeted for.

(g) Depreciation and armotisation

The delay in implementing certain projects resulted in certain capital projects not implemented timely resulting in lower depreciable amount.

(h) Administration fee - RTMC

Administration fee was not budgeted for in respect of the financial year under review. This was due to the unanticipated reorganisation of law enforcement function during the last financial year after the budget has been finalised.

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

Permit income is recognised with reference to the process of issuing permits. In line with GRAP 23, permit revenue is treated as revenue from non-exchange transactions.

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 it is 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.

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.

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 management 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.

Provisions

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.

Accounting Policies (cont.)

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 few factors that are determined on an actuarial basis using a few 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 Agency; 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 because 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.

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 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.

- 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.

Accounting Policies (cont.)

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

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 management 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 entity and a financial liability or a residual interest of another entity.

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

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

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

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial 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;

Accounting Policies (cont.)

- 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 entity 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.

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 entity 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 management or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in management 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 Agency 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 with an allowance account. The amount of the loss is recognised in management 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 management 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 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, because 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.

Accounting Policies (cont.)

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 management or deficit.

Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction is 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 management 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 management 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 management 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 using 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).

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 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 - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

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 based 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.

Accounting Policies (cont.)

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 recognise

Recognition and measurement

reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in management 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 noncash- 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 management 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.

- 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 cell phones) 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.

Accounting Policies (cont.)

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

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

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

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of 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.

Accounting Policies (cont.)

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.

Measurement

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

Sale of goods

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

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

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 management 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.

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 because 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.

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 except for 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.

Accounting Policies (cont.)

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 an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/04/2018 to 31/03/2019.

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 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 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

2.2 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 2019 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

3. Property, plant and equipment

	2019			2018		
	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	(2,259,595)	1,279,786	3,539,381	(1,914,750)	1,624,631
Office equipment	3,239,575	(2,667,994)	571,581	3,006,201	(2,186,157)	820,044
Computer equipment	11,898,667	(6,370,943)	5,527,724	9,424,663	(4,549,589)	4,875,074
Leasehold improvements	6,964,720	(6,716,118)	248,602	6,720,877	(6,628,185)	92,692
Motor Vehicles	479,846	(469,013)	10,833	479,846	(432,133)	47,713
Signage	153,933	(33,424)	120,509	56,075	(27,146)	28,929
Total	**26,276,122**	**(18,517,087)**	**7,759,035**	**23,227,043**	**(15,737,960)**	**7,489,083**

Reconciliation of property, plant and equipment - 2019

	OPENING BALANCE R	ADDITIONS R	WRITTEN OFF R	DEPRECIATION R	IMPAIRMENT LOSS R	TOTAL R
Furniture and fixtures	1,624,631	-	-	(317,567)	(27,278)	1,279,786
Office equipment	820,044	233,373	-	(471,137)	(10,699)	571,581
Computer equipment	4,875,074	2,822,016	(178,146)	(1,948,159)	(43,061)	5,527,724
Leasehold improvements	92,692	243,843	-	(87,933)	-	248,602
Motor Vehicles	47,713	-	-	(36,880)	-	10,833
Signage	28,929	97,858	-	(6,278)	-	120,509
	7,489,083	**3,397,090**	**(178,146)**	**(2,867,954)**	**(81,038)**	**7,759,035**

Reconciliation of property, plant and equipment - 2018

	OPENING BALANCE R	ADDITIONS R	WRITTEN OFF 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
	7,698,663	**3,916,547**	**(73,854)**	**(1,355,398)**	**(1,957,878)**	**(738,997)**	**7,489,083**

4. Intangible assets

	2019			2018		
	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	**5,820,603**	**(4,583,221)**	**1,237,382**	**5,365,956**	**(4,051,554)**	**1,314,402**

Reconciliation of intangible assets - 2019

	OPENING BALANCE R	ADDITIONS R	AMORTISATION R	TOTAL R
Computer software	1,314,402	454,648	(531,667)	1,237,383

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

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 (2018: 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 2019 by Mr. N. Fourie, a fellow of the Actuarial Society 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 received a fixed subsidy of R2, 602 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:

	2019 R	2018 R
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(3,768,000)	(3,860,000)

The valuation results show a liability in respect of accrued service equal to R3,768,000 (2018: R3,860,000). Total interest cost and service costs for the period from 1 April 2018 to 31 March 2019 were R347,000 and R27,000 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 R2,602 per retired employee per month.

	2019 R	2018 R
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	(3,860,000)	(2,612,000)
Benefits paid	226,054	214,845
Net expense recognised in the statement of financial performance	(134,054)	(1,462,845)
	(3,768,000)	**(3,860,000)**
Net expense recognised in the statement of financial performance		
Current service cost	(27,000)	(10,980)
Interest cost	(347,000)	(287,676)
Actuarial (gains) losses	239,946	(1,164,189)
	134,054)	**(1,462,845)**
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	Yield curve	Yield Curve
Medical cost trend rates	CPI + 1%	CPI + 1%

A nominal and real zero curve as at 22 March 2019 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.

The Consumer price index (CPI) used is assumed to be the difference between nominal and yield curves

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

	2019 R	2018 R
Deposits and prepayments	1,553,210	1,348,345
Receivable from related party (Note 26)	403,312	-
	1,956,522	**1,348,345**

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

	2019 R	2018 R
Penalty revenue	15,483,988	11,594,117
Other receivables	58,363	709
Staff debtors	152,396	66,333
Provision for impairment	(10,630,421)	(5,530,716)
	5,064,326	**6,130,443**

Penalty revenue receivables are fines due from courts as well as notices issued but not yet presented before courts, whilst staff debtors relate to salary advances taken in the last month of the financial year as well as fruitless and wasteful expenditure recoverable from an employee. 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 2019, an additional trade and other receivables impairment of R5,099,705 (2018: 2,568,212) was provided for impairment. The overall provision balance was therefore increased from R5, 530,716 to R10,630,421 for the year under review. The impaired debtors were outstanding for more than 12 months. These outstanding debtors consist mainly of the pending notices on trafic infringements that have either not gone through the courts or which have gone through the courts but not yet paid by the operators. 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 transactions

	2019 R	2018 R
Opening balance	5,530,716	2,962,504
Provision for impairment	5,099,705	2,568,212
	10,630,421	**5,530,716**

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:

	2019 R	2018 R
Cash on hand	3,271	8,000
Bank balances	4,401,174	16,513,596
Short-term deposits	73,740,126	46,968,051
	78,144,571	**63,489,647**

9. Provisions

Reconciliation of provisions - 2019

	OPENING BALANCE R	ADDITIONS R	UTILISED DURING THE YEAR R	REVERSED DURING THE YEAR R	TOTAL R
Provision for perfmit fees claimable	164,021,935	-	(1,305,367)	(162,716,568)	-
Provision for staff performance bonuses	6,108,431	6,723,341	(4,993,133)	-	7,838,639
Other provisions	170,100	-	-	(129,500)	40,600
	170,300,466	**6,723,341**	**(6,298,500)**	**(162,846,068)**	**7,879,239**

Reconciliation of provisions - 2018

	OPENING BALANCE R	ADDITIONS R	UTILISED DURING THE YEAR R	REVERSED DURING THE YEAR R	CHANGE IN DISCOUNT FACTOR R	TOTAL R
Provision for perfmit 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
	203,299,904	**5,489,642**	**(35,732,569)**	**(3,019,960)**	**263,449**	**170,300,466**

Provision for permit fees claimable

No provision was made at the end of the year with regards to the provision for claims. The prior year provision was reversed during the year as a result of the application of Prescription Act. All claims which have not been submitted by 12 May 2018 have now prescribed and consequently, the provision reversed.

Provision for staff performance bonuses

The staff performance bonus provision was provided at a maximum of 6% (2018: 6%) of gross remuneration for the year ended March 2019. 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

	2019 R	2018 R
Permit and penalty fees refundable	**6,666,035**	**6,044,416**

Payables relate to payments received in advance from operators.

11. Payables from exchange transactions

	2019 R	2018 R
Trade payables	4,731,748	2,168,073
Accrued leave pay	4,758,991	4,266,397
Accrued bonus	777,905	824,687
Workman's compensation accrual	829,256	420,205
Related party accrual (Note 26)	-	8,495,277
Other accrued expenses	876,735	390,136
Statutory deductions	-	3,677
	11,974,635	**16,568,452**

12. Revenue from non-exchange transactions

	2019 R	2018 R
Permit issue fees	154,805,849	172,151,604
Permit application fees	39,996,021	41,448,270
Revenue from prescription of claims	162,716,567	-
Penalty income	41,644,726	29,974,111
	399,163,163	**243,573,985**

13. Other Income

	2019 R	2018 R
Postage, administrative and general item charges	320,938	148,095
Actuarial gains	239,946	-
Insurance refunds	83,750	79,528
Refundable claims (5 year permits)	-	3,019,960
	644,634	**3,247,583**

14. Interest received

	2019 R	2018 R
Bank	5,230,054	4,560,825

The Agency has cash investments yielding an average of 7,8% (2018: 6,5%) per annum.

Notes to the Annual Financial Statements (cont.)

15. Employee related costs

	2019 R	2018 R
Basic salaries	97,235,014	84,416,383
Performance bonus (note 9)	6,723,342	5,489,642
Medical aid - company contributions	3,291,075	2,786,760
Unemployment Insurance Fund	294,872	304,703
Workman's Compensation	550,289	1,187,114
Actuarial loss	-	1,164,189
Leave pay provision charge	880,878	870,636
Pension and provident fund contribution	12,527,339	10,158,610
Overtime payments	-	9,924
Long-service awards	922,800	663,462
13th cheques	3,551,888	3,301,204
Car allowance	336,992	539,496
Night shift allowance	-	188
	126,314,489	**110,892,311**

16. Finance costs

	2019 R	2018 R
Interest charges	347,000	287,676

17. Debt impairment

	2019 R	2018 R
Debt impairment	5,099,705	4,070,924

Impairment amount is made up of provisions for long outstanding court remittences 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

	2019 R	2018 R
Advertising, publicity, marketing and branding	1,417,278	1,359,575
Audit fees (note 19)	3,761,062	4,104,392
Bank charges	1,629,777	1,627,543
Cleaning & Office supplies	531,067	556,357
Service fee (Note 25)	37,026,850	23,434,600
Consulting and legal fees	5,720,871	4,372,494
Discount allowed	-	18,540
Catering and employee wellbeing	935,455	1,010,482
Fines and penalties	-	212,153
Corporate gifts and donations	682,294	331,348
Insurance	306,257	201,023
Conferences and seminars	517,547	914,800
IT expenses	2,046,330	2,807,081
Resource materials, magazines, books and periodicals	277	(23,229)
Motor vehicle expenses	5,002	5,397
Placement fees	499,042	271,488
Printing and stationery	2,357,696	2,057,579
Repairs and maintenance	330,542	164,975
Security	654,446	314,615
Staff welfare	883,045	481,020
Subscriptions, publications and membership fees	1,894,281	38,295
Telephone, cellphones and fax	2,405,911	2,831,029
Training and development	2,288,745	1,576,142
Travel and accommodation expenses	9,568,967	10,290,335
Small tools	104,122	18,962
Electricity and water	1,124,882	1,218,870
Settlement costs and other	358,131	-
Document storage expenses	320,302	306,884
Relocation expenses	254,911	45,270
	77,625,090	**60,548,020**

19. Auditors' remuneration

	2019 R	2018 R
External audit	1,832,096	2,790,946
Internal audit	1,928,966	1,313,446
	3,761,062	**4,104,392**

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 and 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.

	2019 R	2018 R
Future minimum lease payments due		
- within one year	9,463,130	10,505,117
- in second to fifth year inclusive	-	9,463,130
	9,463,130	**19,968,247**

Minimum 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.

21. Operating surplus

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

	2019 R	2018 R
Operating lease charges		
Premises		
• Contractual amounts	11,002,525	10,917,652
Assets written off and impaired assets	259,184	812,851
Amortisation on intangible assets	531,667	252,722
Depreciation on property, plant and equipment	2,867,954	1,957,878
Employee costs	126,314,489	110,892,311

23. Cash (used in) / generated from operations

	2019 R	2018 R
Surplus	180,990,237	61,642,359
Adjustments for:		
Depreciation and amortisation	3,399,621	2,210,600
De-recognition of non-current assets	259,184	812,851
Interest received	(5,230,054)	(4,560,825)
Debt impairment	5,099,705	4,070,924
Movements in operating lease liability	(114,896)	759,475
Movements in retirement benefit assets and liabilities	(92,000)	1,248,000
Movements in provisions	-	(485,286)
Changes in working capital:		
Receivables from exchange transactions	(608,177)	216,798
Increase in impairments	(5,099,705)	(4,070,924)
Other receivables from non-exchange transactions	1,066,117	(1,779,839)
Payables from exchange transactions	(4,593,817)	(6,796,658)
Provisions	(162,421,226)	(32,514,152)
Payables (non-exchange transactions)	621,619	(20,495,393)
	13,276,608	**257,930**

Notes to the Annual Financial Statements (cont.)

23. Commitments

Authorised capital expenditure

	2019 R	2018 R
Already contracted for but not provided for		
Property, plant and equipment	-	1,279,631
Not yet contracted for but authorised		
Intangible assets	26,382,356	-
Total capital commitments		
Already contracted for but not provided for	-	1,279,631
Not yet contracted for and authorised by members	26,382,356	-
	26,382,356	**1,279,631**
Authorised operating expenditure		
Already contracted for but not provided for		
- General expenses	28,233,344	6,760,807
- Internal audit	2,589,198	440,332
	30,822,542	**7,201,139**
Total operational commitments		
Already contracted for but not provided for	30,822,542	7,201,139

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.

The is a litigation matter that is currently on-going against the Agency relating to some disputes with Operators emanating from the impounding of their vehicles by the Agency. The litigants allege that the Agency has acted unlawfully in impounding their vehicles and are seeking compensation for the loss of income as well as wrongful arrest. The litigants are seeking R10,7 million (plus legal costs) from the Agency. The Agency's lawyers and management consider the likelihood of the action against the Agency being successsful as unlikely.

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. A similar matter has recently been finalised in the High Court in favour of the Agency and the Agency is applying for this matter to be struck off the roll.

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.

An employee has file an application relating to unfair discrimination based on race and gender salary disparity. The Agency is preparing papers in response to this.

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 entitys financial statements.

At the beginning of the financial year ended 31 March 2018, 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.

Futher 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 a 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 remains 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 recource the RTI function and fund the function from the penalty income so generated.

Amount incurred incurred by the Agency consist of the following:

	2019 R	2018 R
Service fee		
Administration fee	37,026,850	23,434,600

Notes to the Annual Financial Statements (cont.)

26. Related parties

	2019 R	2018 R
Related party balances		
Amounts included in Trade receivable / (Trade Payable) regarding related parties		
Department of Justice	(2,844)	-
Department of Justice	(151,320)	(24,000)
RTMC	403,312	(15,034,788)
Related party transactions		
Services rendered by related parties		
Government Printing Works	706,160	468,249
Department of Justice	126,494	56,255
RTMC	37,026,850	23,434,600
Expenses incurred on behalf of related parties		
RTMC	1,021,415	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
2019			
Mr. M Ramathe (Chairperson - appointed 01 May 2016)	216,435	8,611	225,046
Mr. RD Baloyi (appointed 01 May 2016)	177,200	6,163	183,363
Prof JH Havenga (appointed 01 May 2016)	177,200	10,593	187,793
Mr. LL Thekisho (appointed 01 May 2016)	177,200	2,185	179,385
Ms. KS Mahlangu (appointed 01 May 2016)	177,200	4,810	182,010
Ms. DI Sekhonyela (appointed 01 May 2016)	177,200	-	177,200
	1,102,435	**32,362**	**1,134,797**

	EMOLUMENTS R	RE-IMBURSIVE EXPENDITURE R	TOTAL R
2018			
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
	1,086,953	**25,256**	**1,112,209**

Notes to the Annual Financial Statements (cont.)

Remuneration of Executive Management

	ANNUAL REMUNERATION R	TRAVEL, CAR AND CELLPHONE ALLOWANCE R	PERFORMANCE BONUS AND VARIABLE PORTION R	ACTING ALLOWANCES AND OTHER PAYMENTS R	TOTAL R
2019					
Chief Executive Officer	2,994,425	181,845	291,834	-	3,468,104
Executive: Regulatory Services	2,119,784	91,567	-	8,134	2,219,485
Chief Financial Officer (appointed 01 January 2019)	466,621	6,366	-	-	472,987
Chief Operating Officer	2,286,974	30,362	-	171,523	2,488,859
Executive: Corporate Services	1,873,030	28,326	-	22,856	1,924,212
Executive: Research and Development	2,057,946	107,062	-	7,897	2,172,905
Executive: Stakeholder Relations	1,886,486	100,931	-	-	1,987,417
Executive: Office of the CEO (resigned 31 March 2019)	1,886,486	32,267	-	-	1,918,753
Chief Information Officer	2,127,600	35,184	-	-	2,162,784
Chief Financial Officer (resigned 31 July 2017)	-	-	144,776	-	144,776
	17,699,352	**613,910**	**436,610**	**210,410**	**18,960,282**

Remuneration of Executive Management

	ANNUAL REMUNERATION R	TRAVEL, CAR AND CELLPHONE ALLOWANCE R	PERFORMANCE BONUS AND VARIABLE PORTION R	ACTING ALLOWANCES AND OTHER PAYMENTS R	TOTAL R
2018					
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
	13,066,096	**980,108**	**1,164,391**	**542,355**	**15,752,950**

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 estimate

Penalty income

During the previous financial year, the Agency had made an estimate of the amount of the penalty notices issued which were likely to be reduced by the courts when the trafic fines are finalised by the courts. However, the actual amount reduced by courts differed from the estimated amount. The effect of change in the current year is as follows:

	2019 R	2018 R
Increase in penalty income	57,445	-
Increase in receivables from non-exchange transactions	(57,445)	-
Increase/(decrease) in surplus	-	-

The effect in future periods could not be reasonably determined.

29. Change in accounting policy

During the prior year 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 effect revision has resulted in the following:

	2019 R	2018 R
Statement of financial performance		
Increase in penalty income	-	4,520,711
Increase in provision for debt impairment	-	(3,283,107)

30. Prior-period error

Service fee

During the financial year under review the Agency determined that the service fee payable to RTMC in respect of the law enforcement function performed by the RTMC on behalf of the C_BRTA is due and payable upon collection and not when the penalty income is accrued to the C-BRTA as previously determined. The prior period was adjusted retrospectively and the effect on the individual line items in the financial statements is as follows:

	2019 R	2018 R
Statement of financial position		
Decrease in trade payables from exchange transactions	-	6,539,511
Statement of financial performance		
Decrease in service fee	-	6,539,511

31. 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 Agency'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.

Notes to the Annual Financial Statements (cont.)

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.

32. Going concern

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

The ability of the 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 R180,990,237 **(2018: R55,102,840).**

33. Fruitless and wasteful expenditure

	2019 R	2018 R
Fruitless and wasteful expenditure	-	28,326

Fruitless and wasteful expenditure was incurred as a result of interest changed on late payment of a surplier 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, R22 000 was recovered. The balance still due is included as part of staff debtors under note 7.

34. Irregular expenditure

	2019 R	2018 R
Add: Irregular Expenditure - current year	123,170	-
Analysis of expenditure awaiting condonation per age classification		
Current year	123,170	-

Details of irregular expenditure – current year

Description	**Disciplinary steps taken/ criminal proceedings**	
Written approval for deviation in the procurement of goods and services only after services were rendered	Investigation to be conducted	62,173
Appointment of a supplier with an expired tax clearance certificate	Investigation to be conducted	60,997
Net surplus per approved budget		**123,170**

35. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2019 R	2018 R
Net surplus per the statement of financial performance	180,990,237	61,642,359
Adjusted for:		
Assets written off and impairments	259,184	73,854
Finance charges and interest expense	347,000	287,676
Consulting and legal fees	1,026,715	(4,116,724)
Other operating and general expenses	504,036	(25,292,596)
Depreciation and amortisation	(949,948)	(2,511,146)
Employee costs	(11,985,799)	(16,996,704)
Penalty income	(41,644,726)	(29,974,111)
Prescription of claims	(162,716,567)	-
Administration fee - RTMC	37,026,850	23,434,600
Under/over recovery of budgeted revenue	28,985,160	(2,222,082)
Other Income over-collected / (under-collected)	(644,634)	(2,784,373)
Interest income over-collected / (under-collected)	(937,444)	(1,540,753)
Net surplus per approved budget	**30,260,064**	**-**

Detailed Income Statement

	NOTE(S)	2019 R	2018 RESTATED* R
Revenue			
Permit issue fees		154,805,849	172,151,604
Permit application fees		39,996,021	41,448,270
Prescription of claims		162,716,567	-
Other income		644,634	3,247,583
Interest received		5,230,054	4,560,825
Total operating revenue		**363,393,125**	**221,408,282**
Fines, Penalties and Forfeits		41,644,726	29,974,111
Total revenue	**12**	**405,037,851**	**251,382,393**
Expenditure			
Employee related costs	15	(126,314,489)	(110,892,311)
Depreciation and amortisation		(3,399,621)	(2,210,600)
Finance costs and interest	16	(347,000)	(287,676)
Lease rentals on operating lease		(11,002,525)	(10,917,652)
Debt Impairment	17	(5,099,705)	(4,070,924)
Assets writenoff and impaired		(259,184)	(812,851)
General Expenses	18	(77,625,090)	(60,548,020)
Total expenditure		**(224,047,614)**	**(189,740,034)**
Surplus for the year		**180,990,237**	**61,642,359**

* See Note 30 & 29

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