CROSS-BORDER
ROAD TRANSPORT AGENCY

Annual Report 2013-14

Celebrating 20 years of freedom

Contents

PART A: GENERAL INFORMATION

1. Cross-Border Road Transport Agency's General Information

Registered name:	Cross-Border Road Transport Agency
Physical 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 (0)12 348 1357
Fax number:	+27 (0)12 369 8485
Website address:	www.cbrta.co.za
External 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	Kethabile Mabe Governance Executive

2. List of Abbreviations/Acronyms

AGSA	Auditor-General of South Africa
BBBEE	Broad-based Black Economic Empowerment
BCCBMR	The Business Case on Corridor and Border Management Reform
BCOCC	Border Control Operational Co-ordinating Committee
C-BRTA	Cross-Border Road Transport Agency
CBRTS	Cross-Border Transport System
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COMESA	Common Market for Eastern and Southern Africa
DoT	Department of Transport
EAC	East African Community
EE	Employment Equity
GEDP	Global Executive Development Programme
HOD	Head of Department
HR	Human Resources
IPDP	Industry Partnership Development Plan
IT	Information Technology
King III	King Report on Governance for South Africa and the King Code for Governance Principles
LCF	Labour Consultative Forum
MAR	Market Access Regulation
MEC	Member of the Executive Council
MTEF	Medium Term Expenditure Framework
MoU	Memorandum of Understanding
NTB	Non-tariff Barriers
OCAS	Operator Compliance Accreditation Scheme
PDA	Personal Digital Assistant
PDP	Personal Development Plans
PFMA	Public Finance Management Act
PMO	Project Management Office
PPP	Public-Private Partnership
RFID	Road Frequency Identification
RLS	Regulatory and Legal Services
RTI	Road Traffic Inspectorate
SACU	Southern African Customs Union
SADC	Southern African Development Community
SCM	Supply Chain Management
SITA	State Information Technology Agency
SMDP	Senior Management Development Programme
SMME	Small, Medium and Micro Enterprises
SMS	Short Message Service
SOP	Standard Operating Procedure
SVPP	Strategic Value Proposition Plan
TR	Treasury Regulations
VPN	Virtual Private Network

•• *The Board has taken great strides in the strategic role it plays, and the guidance and leadership it provides to the C-BRTA.* ••

3. Foreword by the Acting Chairperson

Introduction

In 2013/14, the global economy continued its slow recovery after the 2008 recession which has had such a tremendous impact on global trade. The prudent financial policies that South Africa had in place at the time kept us from feeling the brunt of the recession, however, the impact on our international trade partners in BRICS (Brazil, Russia, India, China and South Africa), Europe, Asia and the rest of Africa still affected our economy. These dynamics show how interconnected the global economy has become. In this environment, the role of transport, and in particular cross-border transport, in facilitating economic interaction, as well as regional trade, integration and transnational development, has become more important. Efficient cross-border transport systems will therefore serve as an enabler towards opening up these interconnected global markets and opportunities to stimulate and induce domestic economic growth.

South Africa has the biggest economy in the Southern African Development Community (SADC) region. We also have the most advanced transport infrastructure and systems, with ports carrying significant volumes of exports and imports to and from landlocked SADC member states.

Given the SADC transport landscape, cross-border road transport plays a vital role in enabling trade, regional integration and development. The C-BRTA is mandated to facilitate seamless cross-border movements and reduce operational constraints in cross-border road transport corridors, among other important aspects.

Acknowledging this responsibility, the C-BRTA sustained its vision of becoming *'The leading road transport trade facilitation agency in the SADC region'* a feat the Agency looks forward to achieving through successful delivery of the Changing Gears Strategy.

The cross-border environment

Significant initiatives are taking place in the SADC region, which will have an impact on the operations of the C-BRTA. Among these are the customs modernisation, market liberalisation and border management initiatives, as well as road infrastructure and ports improvement projects. The C-BRTA supports these initiatives as they will enable the cross-border road transport industry to perform much more efficiently. As such, improving cross-border road transport operations and road safety in the region will surely lead to improvement in trade volumes, as well as growth in the economies of South Africa, the SADC region and the African continent at large. Furthermore this will lead to socio-economic development of our people and faster regional integration.

Providing value to the cross-border road transport sector

The C-BRTA continues to strive towards the creation of a conducive business environment for cross-border road transport operators. In the year under review, the Agency focused on a number of strategic areas which included galvanising support from key stakeholders in order to improve the cross-border road transport environment and operationalise bilateral agreements. We acknowledge that operators face challenges both locally and beyond the South African borders, and continue to work towards the resolution of these and other challenges.

During the year under review, the Agency actively participated in the UN Decade of Action on Road Safety (2011–2020) initiatives of the Minister of Transport. The Minister also launched the C-BRTA's annual campaign for road safety, namely the Cross Alive Campaign. This campaign was initiated in response to the high accident and fatality rates on our roads.

During the reporting period, the Agency launched the Stakeholder Consultative Forum to support the execution of its mandate and initiatives. Transport operator engagements were sustained through Operator Forum Meetings, Bilateral Joint Route Management Groups and Joint Committee engagements.

The Changing Gears Strategy

The Changing Gears Strategy, adopted in 2011, is now in the maturity phase and remains a key focus of the Agency. We are proud of the significant headways already made through the strategy, which is driven by five strategic projects namely:

- Strategic Value Proposition Plan,
- Business Case for Border and Corridor Management,
- Industry Partnership and Development Programme (IPDP),
- Market Access Regulation (Model), and
- Operator Compliance Accreditation Scheme.

Three of the five projects, namely the Business Case, Market Access Regulation Model and the IPDP, were completed in the financial year. The other two are long-term projects and are on-going. Implementation of the recommendations of the completed projects is underway. Some of the direct achievements of the Changing Gears Strategy include the participation of the Agency in strategic structures where cross-border-related matters are discussed, such as the Border Control Operational Co-ordinating Committee, regional consultative structures, National Border Management Co-ordinating Centre, National Joint Operating Centre, and the Inter-Agency Clearing Forum.

We are confident that the implementation of the recommendations of our strategic projects will enable the cross-border industry to overcome overarching challenges facing road transport operators. The Business Case recommended implementation of various corridor and border management reform initiatives which would address operational challenges in the corridors. Specific roles for the Agency were identified for each of the reforms. The market access regulatory tool will bring stability and sustainability of the cross-border passenger transport segment. Through the IPDP the Agency is already developing strategic partnerships geared towards improving the cross-border environment.

Through the Operator Compliance Accreditation Scheme, the Agency seeks to mobilise regional stakeholders to ensure that cross-border road transport operators are given incentives for compliance with legislative requirements. When fully implemented, the project will address most of the operational constraints faced by operators in the SADC region.

The Board remains confident that the above projects, which anchor the Changing Gears Strategy, will appropriately position the Agency to deliver more extensively on its mandate and respond effectively to the challenges facing the cross-border road transport sector.

Organisational performance

In the 2013/14 financial year the Agency committed its efforts towards industry value-centred initiatives and creating an enabling service delivery capability. Greater focus was directed towards resolving constraints faced by operators in cross-border corridors through stakeholder engagements with SADC counterparts. Implementation of robust organisational processes, systems and performance management mechanisms were sustained. The improved performance management system and organisational environment enabled the Agency to meet the majority of its set targets. Approximately 65% of the targets set for the year were attained, representing an overall performance improvement of 17% from the previous financial year.

The Board has taken great strides in the strategic role it plays, and the guidance and leadership it provides to the C-BRTA. Our role in ensuring good corporate governance is taken seriously. Through this, the Agency improved its internal controls that ensured the attainment of yet another unqualified audit opinion from the Auditor-General of South Africa.

Governance

I would like to mention that the unprecedented stability of leadership at the C-BRTA has had positive impact on turning around the operations of the Agency. Accordingly, I would like to acknowledge the leadership and guidance provided to the C-BRTA by the outgoing Chairman of the Board, Mr Matete Matete. Mr Matete had been Chairman since 1 October 2010 until the Minister of Transport retired him on 31 March 2014. The work and achievements presented in this annual report were achieved under his leadership, direction and guidance.

On behalf of the Board, Management and staff of the C-BRTA, I would like to thank Mr Matete for the passionate manner in which he carried out his fiduciary duties, as well as for his leadership and immense contributions to the Agency.

Appreciation is also extended to Ms Shamila Singh, Ms Mathabo Nakene and Prof. Didibhuku Thwala for their time, diligence and the enthusiasm with which they served the Agency. Ms Singh's term of office ended on 31 August 2013, whilst Ms Nakene and Prof. Thwala's tenures ended on 31 March 2014 and 30 April 2014 respectively. The C-BRTA is profoundly grateful for all your contribution to the Agency.

To ensure appropriate governance and representation of the Agency, new Board members were appointed effective from 1 April 2014. I would like to welcome the newly-appointed Board Chairperson, Ms Pamela Pokane, together with the following newly appointed Board members:

- Mr Reuben Dlamini,
- Ms Semira Mohammed,
- Mr Gordon Noah,
- Mr Moses Scott, and
- Mr Wayne Smith.

The incoming Board members bring a collective wealth of experience and knowledge on cross-border road transport matters. I am confident that Ms Pokane and the new Board members will not only provide a new perspective on the issues facing the Agency, but also a clear direction the Agency needs to take in delivering its mandate.

Conclusion

Firstly, I would like to congratulate the Honourable Minister of Transport, Ms Dipuo Peters, on her reappointment to lead the transport sector in the 5th South African democratic administration, as we celebrate 20 years of democracy. I would also like to assure the Minister of the Agency's commitment to delivering on its mandate.

Secondly, I would like to bid farewell and thank the previous Board for their dedication and effort in steering the Agency in the right direction. I would also like to extend my gratitude to my fellow members of the Board, the CEO, Management and staff of the Agency for their dedication and commitment which culminated in the overall improvement in the annual performance for the 2013/14 financial year.

In conclusion, it is time to recommit ourselves to improving the cross-border road transport environment for the benefit of transport operators and the country at large. We should also prepare ourselves to efficiently and effectively respond to major emerging issues in the cross-border road transport environment.

Ms MMD Nkomo
Acting Chairperson of the Board
25 July 2014

•• *We worked systematically, diligently, delaying premature gratification, overcoming fear and developing a product that took us out of the doldrums.* ••

4. Chief Executive Officer's Overview

Introduction

This is the fifth report that I am writing as CEO of the Cross-Border Road Transport Agency. In preparing for this report, we considered it necessary to revisit the previous reports in order to remind ourselves of the storyline of the revolution that has been taking place within the C-BRTA. As I was going through the previous reports, I realised that the input I penned for the Annual Report of 2012, elicited more feedback and responses than any other. It generated more feedback and responses from our principals and it certainly got many of our stakeholders talking! In introducing that report, I had taken the liberty of borrowing the following words from Maya Angelou:

"Out of the huts of history's shame, I rise
Up from a past that's rooted in pain, I rise
I'm a black ocean, leaping and wide,
Welling and swelling I bear in the tide.
Leaving behind nights of terror and fear, I rise
Into a daybreak that's wondrously clear, I rise
Bringing the gifts that my ancestors gave,
I am the dream and the hope of the slave.
I rise, I rise, I rise."

Reflecting on past performance

There is no doubt that I would be overstating, and therefore misrepresenting the truth if I were to draw comparisons between the phenomenal women celebrated in Angelou's poem and the triumph over inimical circumstances that has been achieved by the C-BRTA. What is comparable though, is the indomitable spirit of resilience – the firmness of character – that has been displayed by the C-BRTA in the face of hard knocks!

It is a fact that for the second year in a row, the C-BRTA achieved that which it could not achieve in fourteen years. For the first time, in the previous financial year, we freed ourselves of the burden of qualified audit opinions. Of course, for someone who has no appreciation of what it entailed to carry out the systematic work, developing systems and records in areas where none existed before, this may not look like an achievement of note. For those who were intricately involved, we know that we worked systematically, diligently, delaying premature gratification, overcoming fear and developing a product that took us out of the doldrums. The unqualified audit opinion registered in the 2012/13 financial year and repeated in 2013/14 is therefore a product of an organisation that has finally learned to develop character and strength, which it previously lacked. The repeat of this achievement in this year serves to demonstrate that what we achieved last year was no fluke.

Of course, in honour of the injunction of Amilcar Cabral, we shall not overstate the case, we will "tell no lies" and we will desist from the temptation of "claiming easy victories." Nonetheless, we will be remiss if we fail to acknowledge that the C-BRTA also registered no less than 60% performance achievement. Again, it is no secret that this is not a familiar terrain for this Agency.

In the previous financial year, we did not cross the fifty percent mark! In essence, we can safely say that the C-BRTA has endured. It has not only survived, but it has triumphed over its adverse historic circumstances. However, lessons in history teach us that it is always easier to destroy than it is to rebuild. In the absence of a vision for the glory that must still be sought after (*gloria est consequenda*), it would be too easy to reverse and obliterate the hard-won gains made at the C-BRTA over the last five years.

More importantly, what is reported here should serve to reassure our principals that the time has come when they can demand

and expect more from the Cross-Border Road Transport Agency. As I am sure that many will agree with me, no public entity was established so that it can achieve an unqualified audit opinion. The C-BRTA, like all other sister public entities in the transport sector, was established in order to achieve its legislative mandate. In short, we still have a bigger fish to fry, and indeed, the time for this is appropriately upon us!

We also welcome the appointment of the full complement of Board members, including technical experts as prescribed in the Act. We are confident that this development will go a long way in supporting the C-BRTA with strategic guidance. The full complement of our Board has given us the requisite skills that will empower us to achieve our mandate.

Another notable recent development is the promulgation of the Cross-Border Road Transport Act, 1998 (Act No. 4 of 1998) Amendment Regulations 2014 on 6 May 2014. We are grateful to the Honourable Minister of Transport, Ms Dipuo Peters, for giving us a new lease of life, and putting us back in the driving seat in terms of pursuing our strategic goals and mandates.

The rest of this annual report details matters relating to the achievement of predetermined objectives in this entity and provides evidence of the phenomenal performance achieved in the 2013/14 financial year. In light of this, I shall not delve further into what has been done and achieved, but will concern myself with what remains undone and yet to be achieved. The balance of this input attempts to articulate the historic strategic tasks that still lie ahead of us.

An operator value-oriented strategy

To be true to the cause and tasks that still lie ahead, let me assure the reader that, authentic to Cabral's injunction, we will "mask no difficulties, mistakes [and] failures." On 6 August 2014, we hosted the Cross-Border Operators Taxi Forum, and I had the privilege of doing the closing address at this meeting. As I stood up to address this meeting, I was reminded of the Latin saying: "*Gloria est consequenda* – Glory must be sought after!" This inspiration was brought about by the manner in which that meeting had been run. As opposed to the first such meeting that I addressed in 2010, shortly after establishing this forum as a mechanism for formal engagement between the C-BRTA and its primary constituencies, this meeting was a remarkable success. The spirit was constructive and the engagement very enlightening and highly respectful!

As I started my address, I informed the meeting that it felt good to be associated with the C-BRTA. It felt good to stand before that group of cross-border taxi operators, business men and women who understand what it means to suffer, to endure and to survive; it felt good to engage with these tried and tested business people and to engage constructively on matters aimed at shaping their business environment, their prospects and the future of cross-border road transport operations.

On this particular morning I knew what it is like to be a humble foot soldier of a titanic and proud army of African heroes. Through the eye of the mind, I was taken to the beginning of change. I found myself witnessing the liberation of Ghana, the first African State that obtained independence in 1957. Through the eye of the mind, I found myself gazing over every other African State, since then, seeing each attaining its independence throughout the sixties, the seventies and the eighties. What is glaring, as I go through this mental movie, is that I do not see the economic circumstances of the majority of citizens in all of these countries being transformed in any fundamental way.

The changing political circumstances seem to have very little impact on the dismal shame of poverty, suffering and human degradation that remains a blight that we all continue to share. Nonetheless, the spirit of the discussions that had just taken place prior to this reflection, suggested that a different future is not only possible, but also an attainable reality! The spirit with which the discussions had been conducted, differences of opinion on some crucial matters notwithstanding, suggested that a different trajectory was yet to be explored.

This gave me hope and promise, and it reassured me that we are on track to finding glory for the cross-border transport operator – whether he or she is using a taxi, a bus or even a truck! In the eye of my mind, I started seeing the movie playing itself beyond the now and into the future. Indeed, I saw us beginning to unravel the setbacks of the moment, to unwind the legacy of historic neglect and to build a solid path for a sustainable future for the cross-border transport industry. I began to appreciate the truth of the view that nothing can stop us now!

Whatever the challenges, the C-BRTA, working in partnership with the transport industry, will continue to rise and rise and glory will be realised! The indomitable spirit that characterised our internal turnaround in the last five years will begin to find expression in the turnaround that must be realised in our external environment. Grit is the way of the future for us! We will always act as if we are in total control, putting all our efforts to making things happen.

We are intent on learning from our inevitable mistakes and those of others, ploughing ahead and letting go of the pain and suffering of the past. We will look at the past and its failures as nothing but valuable training as we forge ahead. We will humbly accept criticism when we make mistakes, with the full appreciation of the teaching of Aristotle, who says: "there is only one way to avoid criticism: do nothing, say nothing, and be nothing!"

Our vision and appreciation of our work has never been clearer. The lessons we have mastered over the last five years have taught us how to proceed and plough ahead. We have determined that all our energy needs to be devoted to driving an operator value-oriented strategy. This means giving substance and meaning to the work of the inter-State Joint Committees (JCs), Joint Route Management Group (JRMG) and the Cross-Border Operator Forum meetings. Driving the agenda of these strategic consultative mechanisms must become the heart of our strategic approach.

We must also ensure that the interests of the South African cross-border operators become central to our strategic reports to oversight bodies like the Portfolio Committee on Transport and other Parliamentary committees. We must elevate matters impacting on the operators to a level of strategic importance in the quarterly reports that we produce for our shareholder, the Department and Minister of Transport.

We have determined that, going forward, we need to activate all the instruments that are provided for in the Cross-Border Road Transport Act to ensure that the interests of South African cross-border operators are not undermined by other member states and that all players across the board in the cross-border space, adhere to rules and procedures that have been agreed to by all parties in the SADC Protocol on Transport, Communication and Meteorology and the SACU Memorandum of Understanding.

Conclusion

As we conclude this report, we are reminded that Cassandra Wilson makes the observation that, "the future is promised to no one." She goes on to say that, she does not fear death, but that she fears "a life where destiny is unfulfilled." Indeed, there are no guarantees pertaining to the future of any of us within the C-BRTA, but whether the destiny of the entity itself fulfilled or not, will be a function of the strategic trajectory that we embark upon beyond this point. We therefore hope and pray that knowledge and wisdom will be the guiding light on the work that lies ahead for the C-BRTA – that the gains that have been registered do not perish for lack of vision!

At this point let me take this opportunity to acknowledge all those who made the successes reflected on in this report, including the plans that we are forging going forward. These include all the employees of the Cross-Border Road Transport Agency, the gallant soldiers of the C-BRTA army, without whom none of what we claim as successes here could have been accomplished. Let me also extend my appreciation and gratitude to the Executive Management Committee and its members. Their guidance, counsel and support received from this crop of leaders over the last five years have been immeasurable.

As the team that I work closest with, we have had to challenge one another, we have fought some tough battles, but notwithstanding any differences we have had on strategic and tactical challenges before us, we have remained a united and a formidable force for change. It is unquestionable that none of the successes claimed here would have realised without the individual and combined unwavering commitment, efforts and unrelenting collective wisdom of the Executive and the Senior Management team of the C-BRTA.

Let me acknowledge my appreciation for the support, guidance and counsel of the Chairperson and the Board of the C-BRTA. The contribution and sacrifices of individual Board members, in honouring all our meetings, Board committee meetings including the monthly meetings of the Regulatory Committee of the Board, is indicative of unwavering and highest level of dedication. To all of the Board members I wish to say that your willingness and readiness to go the extra mile for us is always acknowledged and appreciated.

I also wish to pay a special tribute to the Honourable Minister of Transport, Dipuo Peters and the Honourable Deputy Minister of Transport, Sindisiwe Chikunga, for their unwavering support and commitment to the success of the C-BRTA. We also wish to acknowledge and appreciate the role and guidance of the Portfolio Committee on Transport.

In conclusion, let me express my sincere appreciation for the continuing guidance and constructive engagement that we continue to receive from the Minister. Ms Dipuo Peters, your availability to us is unmatched and we are eternally grateful for the fact that you continue to display grit and courage in taking decisive action. We are humbled and grateful for the wisdom your exercised in responding to our plight in respect of the revision of our permit tariff fees. Akwande!

Mr SG Khumalo
Chief Executive Officer
25 July 2014

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 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 2014.

Yours faithfully

Mr SG Khumalo
Chief Executive Officer
25 July 2014

Ms MMD Nkomo
Acting Chairperson of the Board
25 July 2014

6. Strategic Overview

6.1. Vision

The leading road transport trade facilitation agency within the SADC region.

6.2. Mission

To spearhead social and economic development within the SADC region through facilitating unimpeded cross-border road transport movements.

6.3. Values

- Integrity
- Transparency
- Reliability
- Efficiency
- Effectiveness
- Social responsibility

The Cross-Border Road Transport Agency's (C-BRTA) exists to improve the flow of passengers and freight by road transport in the region; to introduce regulated competition in cross-border road transport; to reduce operational constraints for the cross-border road transport industry as a whole to enhance transport trade facilitation; to provide oversight and monitoring functions, and to build industry partnerships to strategically reposition the C-BRTA.

The C-BRTA Strategy is being executed through the implementation of five (5) key strategic projects which are linked to our strategic goals and which recognise other policy development imperatives in our operational environment. These five (5) strategic projects serve as a vehicle which assists the C-BRTA to reach its strategic and repositioning goals.

The importance of organisational capability is emerging as a key thrust in the implementation of the Changing Gears Strategy. Various initiatives have been implemented to promote organisational performance and conduct a litmus test on the organisational culture.

6.4. Strategic Objectives

To improve its business processes, the C-BRTA adopted the following ten medium-term strategic objectives:

Table 1: C-BRTA Strategic Objectives

C-BRTA Strategic Objectives	
1.	Improve institutional performance and governance
2.	Improve non-financial performance reporting
3.	Participation in border operations increased
4.	Cross-border industry partnerships developed
5.	Entrepreneurship and capacity building for SMMEs in the transport sector
6.	Industry Partnership Development Plan (IPDP) rollout
7.	Improve client relationship management and implement a client feedback mechanism for all services
8.	Standards and procedures harmonised
9.	Operator compliance improved
10.	C-BRTA mandate reviewed

7. Legislative and Other Mandates

In the execution of its legislative mandate and functions, the C-BRTA shall comply with the Constitution of the Republic of South Africa, with specific reference to the following sections:

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

Furthermore, the C-BRTA is aligned to objectives articulated in the White Paper on National Transport Policy of 1996, which states that the goal of a transport system is to create a fully integrated transport and information system, which permits seamless and efficient passenger and freight logistics in South Africa, regionally, and globally.

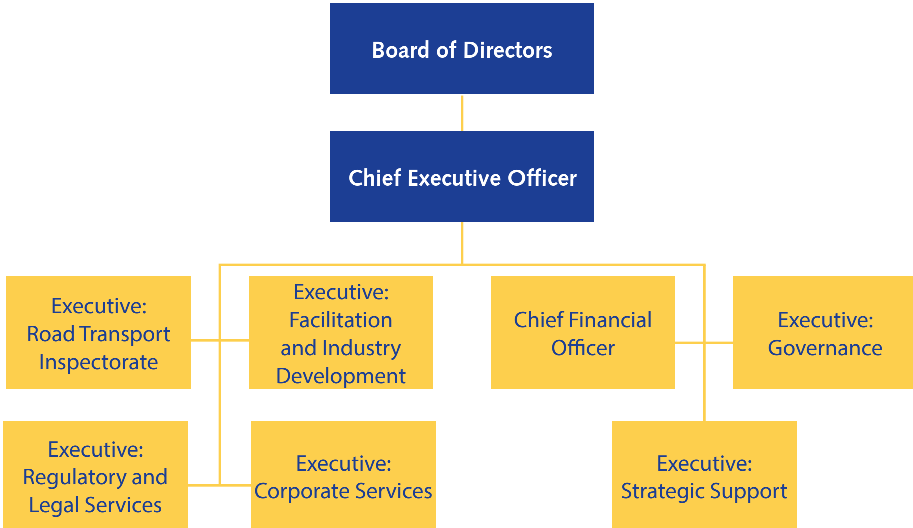
The mandate of the C-BRTA is clearly stipulated in the Cross-Border Road Transport Act of 1998. In terms of Section 23 of the above-mentioned Act, the mandate of the C-BRTA is stipulated as the following:

- Advise the Minister on any aspects related to cross-border road transport policy;
- Regulate access to the market by the road transport freight and passenger industry in respect of cross-border road transport by issuing permits;
- Undertake road transport law enforcement;
- Facilitate the establishment of co-operative and consultative relationships and structures between public and private sector institutions with an interest in cross-border road transport;
- The collection, processing and dissemination of relevant information; and
- The provision of training, capacity building and the promotion of entrepreneurship generally and, in particular, in respect of small, medium and micro enterprises (SMMEs) with an interest in cross-border road transport.

The functions of the C-BRTA are further underpinned by multilateral and bilateral agreements between South Africa and its neighbouring countries under the auspices of the Department of Transport (DoT).

South Africa, as a legitimate member and signatory of the Southern African Development Community (SADC) Protocol on Transport, Communications and Meteorology and the Southern Africa Customs Union (SACU) Memorandum of Understanding (MoU) on road transportation in the common customs area, realises the importance of adhering to the principles and spirit of these documents.

8. Organisational Structure



C-BRTA Executive Management Team

Board Members

Mr Matete Matete
(Contract ended as at 31 March 2014)

Chairperson of the Board

Qualifications

- MBA, University of Pretoria (UP)
- BSc (Hons) Transportation, UP
- BSc (Hons) Surveying, University of East London (UK)
- Diploma (Civil Engineering), Lerotholi Polytechnic (Lesotho)
- MEng (Transportation Engineering), UP

Membership

Regulatory Committee
(Chairperson)

Ms Maleho Nkomo

Deputy Chairperson

Qualifications

- BCom, University of South Africa (Unisa)
- BCom (Hons), Unisa
- Senior Executive Programme, Harvard University (USA)
- MCom Organisational Strategy – University of KwaZulu-Natal (UKZN)

Membership

Human Resources and Remuneration Committee
Procurement Committee

Mr Nala Mhlongo

Board member

Qualifications

- Chartered Management Accountant, CIMA
- Chartered Accountant, South Africa (CA (SA))
- Advanced Taxation Certificate, Unisa
- BCom, University of the Western Cape
- BCom (Hons), University of the Western Cape

Membership

Audit and Risk Committee
(Chairperson)
Procurement Committee
Human Resources and Remuneration Committee

Mr Trevor Bailey

Board member

Qualifications

- BA, UKZN
- BA Law, UKZN
- Master of Law (cum laude) [Alternate Dispute Resolution, Constitutional and International Human Rights Law]

Membership

Human Resources and Remuneration Committee
Procurement Committee

Adv. Seeng Letele

Board member

Qualifications

- BA Law, National University of Lesotho (Lesotho)
- LLB, National University of Lesotho (Lesotho)
- LLM Labour Law, Queens University (Canada)
- Management Advancement Programme, Wits Business School
- MBA, Bond University (Australia)

Membership

Audit and Risk Committee
Regulatory Committee

Ms Mathabo Nakene

(Contract ended as at 31 March 2014)

Board member

Qualifications

- BSc, University of Cape Town
- BSc (Hons), University of Cape Town
- Certified Project Manager, University of Cape Town
- MSc Project Management, Unisa

Membership

Human Resources and Remuneration Committee
Audit and Risk Committee

Prof. Didibhuku Thwala

(Contract ended as at 01 April 2014)

Board member

Qualifications

- Phd Engineering (Construction Project Management), University of the Witwatersrand (Wits)
- MSc Development Planning, Wits
- MSc Project Management, Wits
- Postgraduate Certificate in Education
- BA, University of Swaziland (Swaziland)
- Management Courses:
  Management Advancement Programme (MAP 64), Wits
  African Management Programme, Unisa
- Short Courses:
  Masters in Social Research, Rand Afrikaans University (RAU)
  Masters Certificate in Social Impact Assessment
  Training in Conflict Intervention
  Training in Mediating Conflict

Membership

Audit and Risk Committee
Human Resources and Remuneration Committee

Ms Shamila Singh
(Contract ended as at 31 August 2013)

Board member

Qualifications

- BA Law, UKZN
- LLB, UKZN
- Certificate: Aspirant Women Judges Programme – Advanced School of Judicial Training

Membership

Regulatory Committee
Human Resources and Remuneration Committee
Procurement Committee
Audit and Risk Committee

Mr Sinethemba Mngqibisa

Department of Transport Representative

Qualifications

- NDip Medical Technology (Clinical Pathology) – Edendale Technical Institute
- NDip Medical Technology (Medical Microbiology) – Edendale Technical Institute
- Certificate in Labour Law – University of Natal, Pietermaritzburg
- BCom, Unisa
- Postgraduate Diploma in Transport Management, RAU
- BCom (Hons) Transport Economics, Unisa
- Certificate in Project Management, RAU

Membership

Regulatory Committee

Mr Sipho Khumalo

Chief Executive Officer

Qualifications

- BA (Hons)
- Masters in Public and Development Management
- Global Executive Development Programme, Gordon Institute of Business Science
- Other specialised courses

Membership

Member of the Institute of Directors

C-BRTA EXCO Members

Sipho Khumalo
Chief Executive Officer

Kethabile Mabe
Executive: Corporate Governance
(Appointed: February 2014)

Nivashnee Naraindath
Executive: Corporate Governance
(Resigned: July 2013)

Ronald Stuurman
Executive: Regulatory and Legal Services

Mudunwazi Baloyi
Executive: Facilitation and Industry Development

Dineo Mathibedi
Executive: Corporate Services

Sitsabo Kuhlase
Executive: Strategic Support

Nchaupe Maepa
Chief Financial Officer

Major-General Kaine Monyepao
Executive: Road Transport Inspectorate


MOZAMBIQUE
ABN 343 MP
NRP529 GP

PART B: PERFORMANCE INFORMATION

1. Situational Analysis

1.1. Service Delivery Environment

The volatile global economy still presents formidable challenges for most emerging economies. Empirical evidence indicates that there has been a slump in economic growth in most of the major world economies since the 2007/8 financial crisis. The crisis also had an impact on global trade volumes. Further to the above, climate change has had a global impact on transportation. Transport is a heavy user of petroleum and globally around 15% of carbon dioxide emissions come from cars, trucks, aeroplanes, ships and other vehicles. Reducing transport emissions is one of the most vital steps in fighting global warming, and solutions to this problem (e.g. wind and solar energy) is already available. In response to the above challenges, a number of transport trends have emerged in recent years, including the growing importance of public-private partnerships (PPPs) in funding infrastructure development, implementation of additional road user charges, introduction of new transport technologies, renewed focus on inter-modal transport and the revival of the rail industry due to massive public investments and greater private sector participation in this industry.

In Africa, the economic challenges culminated in declining government spending, particularly in regard to public infrastructure and social services.

Harmonisation of policies and regulations cutting across various sectors remain elusive. The situation has led to high levels of congestion, delays, deteriorating transport infrastructure and higher transport costs. Thus, due to some of these challenges, Africa in general and SADC in particular remains uncompetitive in terms of both intra-trade and competing against other continents.

The SADC region, witnessed a substantial decline in resources directed to public infrastructure by governments. This culminated in backlogs in terms of new infrastructure construction and maintenance of regional corridor roads and bridges. This occurred and still occurs against the backdrop of rising demand for (soft and hard) infrastructure improvement and expansion to accommodate rising traffic volumes in the region.

The situation faced by landlocked developing countries is even worse. Despite technological improvements in transport, these countries continue to face structural challenges to accessing world markets. Seven countries within the SADC region are completely landlocked. Transport costs for these countries are much higher since they rely on member state road and rail infrastructure to move goods to and from seaports for exports/ imports. The poor condition of surface infrastructure, coupled with inefficient border posts seriously undermine the ability of these landlocked countries to compete effectively in the global arena.

South African trade remains constrained due to the slow pace of recovery of its major trading partners such as Japan, China and the Euro-zone. Despite these challenges, South Africa's economy was ranked 53rd in the World Economic Forum's 2013/14 Global Competitiveness Index , and has overtaken Brazil to be in second place among the Brazil, Russia, India, China and South Africa (BRICS) economies. South Africa's financial market development remains impressive in third place in the Sub-Saharan Africa region. However, low scores for the diversion of public funds, (ranked 99th and the perceived wastefulness of government spending ranked 79th).

Irrespective of the global operating dynamics within its service delivery environment, the C-BRTA continued its steadfast endeavours to facilitate the unimpeded flow of passenger and freight cross-border movements. The highlights of the 2013/14 financial year were:

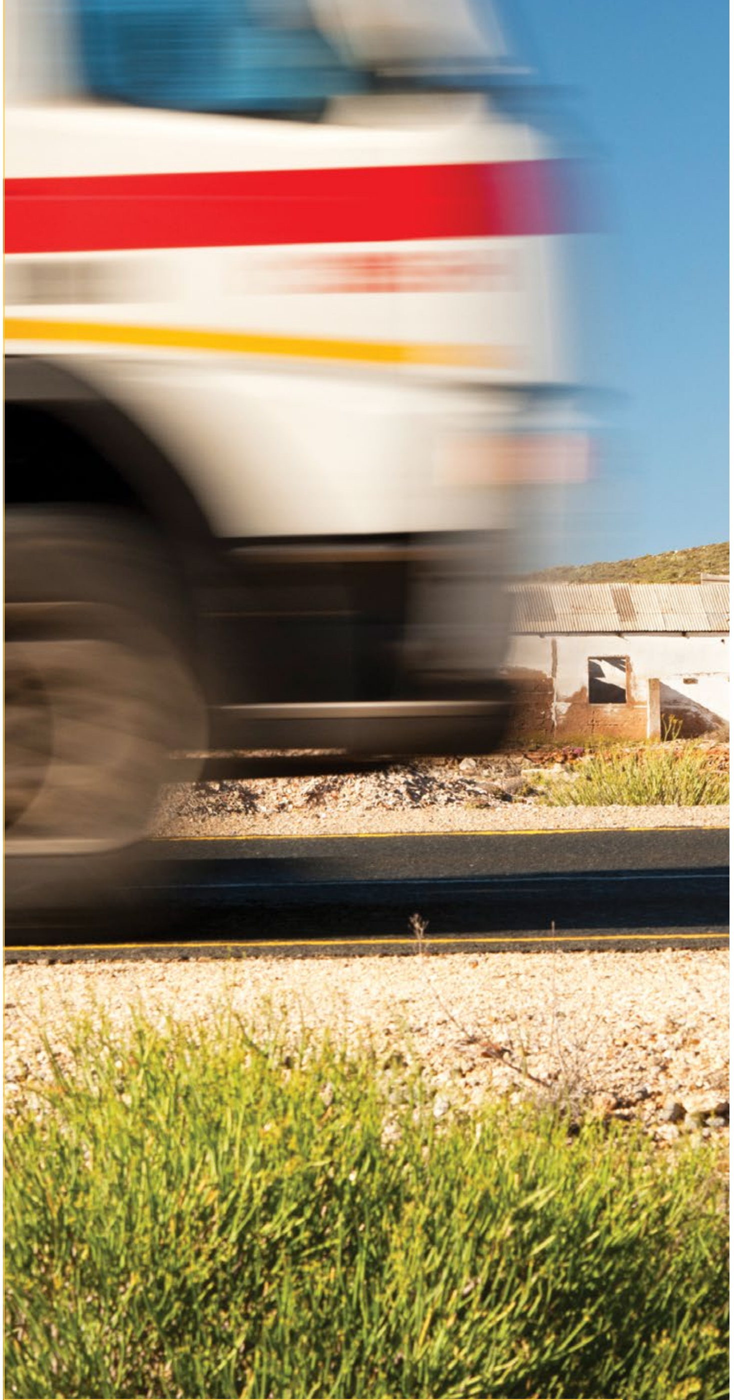
- The promotion of compliance to road transport regulation, entrepreneurship and capacity building initiatives for SMMEs in the transport sector; and
- Improvement in the number of inspections conducting during the year under review.

Organisational capacity was enhanced during the year. Irrespective thereof, significant delays occurred in some major projects due to less conservative project planning which led to the underestimation of supply chain management (SCM). To ensure its long-term financial sustainability and to diversify revenue streams the C-BRTA will continue to mitigate challenges in permit issue volumes and to explore enhancements to its business and funding models.

1.2. Organisational Environment

There has been a significant increase in the number of inspections over the past years, which resulted in more prosecutions being instituted; this may be attributed to the recruitment and deployment of additional inspectors on major cross-border corridors. The Road Transport Inspectorate participates in various road safety initiatives and joint law enforcement operations. These activities assist in improving the visibility and productivity of the Inspectorate and contribute to relations with other law enforcement stakeholders. The introduction of smart law enforcement devices and systems is planned for the next financial year, which will improve the security, efficiency and effectiveness of the Agency's law enforcement initiatives.

In an effort to offer value-added services to customers in respect of the regulatory permit fees, the C-BRTA is implementing a quantitative market access model for the rationalisation of the issuance of cross-border permits. This follows a study which profiled cross-border passenger impediments. The model is based on readily available information and limited cross-border survey data, and has built-in capabilities to estimate the number of minibus and bus permits required to serve any selected pair of towns between South Africa and other Southern African countries. However, a number of gaps were identified with the data sources used to develop the model, such as lack of peak/off-peak dynamics, and the extent of geographical coverage of the sample. The Agency has therefore conducted in-depth market research to update the existing market access model and improve its reliability.



The Business Case on Corridor and Border Management Reform (BCCBMR) project entails the development of a compelling business case that is informed by developments or constraints in the external environment. Once impediments in the external environment have been prioritised and quantified, the business case will propose internal reforms for the C-BRTA in order to address some of the impediments within the external environment. This exercise will go hand-in-hand with the remodelling of functions of the Agency, while identifying specific areas where the C-BRTA can offer value to clients, as well as quantifying such revenue-generating areas.

Internal capacity building programmes were put in place to enhance the skills of employees, and performance management processes were invoked where poor performance was a challenge. It is envisaged that these interventions will ensure enhanced organisational performance.

During the year an agreement was reached on the measures to be implemented to normalise the Lesotho/RSA passenger operations. This is an impasse that has been going on for over 13 years with no permanent solution to the problem. The measures agreed to will assist in rooting out those operators who have been contravening the provisions of legal prescripts. They will also provide stability to legitimate cross-border operations between RSA and Lesotho. The only challenge with respect to this achievement is the withdrawal of the cross-border operators from the task team. However, measures were taken to ensure that they are kept briefed on the outcome.

1.3. Key policy developments and legislative changes

There were no major changes to relevant policies or legislation that affected the Agency's operations during the period under review.

1.4. Strategic outcome-oriented goals

To improve its business processes, the C-BRTA adopted five (5) medium-term strategic goals:

1. Enhance organisational performance;
2. Facilitate unimpeded flow of cross-border transport;
3. Promote safe and reliable cross-border transport;
4. Promote regional integration; and
5. Strategically position the C-BRTA to enhance organisational sustainability.

The C-BRTA has embarked on a multifaceted organisational renewal project aimed at, amongst others, the improvement of working conditions and enhanced stakeholder relation interventions to focus on the unblocking of South African borders to enhance legitimate cross-border trade. The C-BRTA is committed to creating a sustainable institution that is efficient, effective and respected by all stakeholders.

2. Performance Information by Programme

The activities of the C-BRTA are organised into five (5) programme areas with projects. The five programme areas are aligned to the strategic objectives in the form of a performance scorecard that could easily measure the achievements against the set objectives. The five (5) core functional areas are the following:

A. Administration
- Corporate Services
- Governance
- Finance, SCM and Information Technology (IT)

B. Facilitation and Industry Development;

C. Road Transport Inspectorate;

D. Regulatory and Legal Services; and

E. Strategic Support:
- Project Management Office

This section outlines the C-BRTA's performance for the financial year 2013/14.

The Agency's overall achievement of its predetermined objectives for the 2013/14 financial year is 65%, which signifies an improvement of 17% from the prior year's performance of 48%. During the period under review the Agency encountered some challenges in its ability to deliver on its annual performance targets that are articulated in its Annual Performance Plan. The overall performance of the Agency in the financial year 2013/14 illustrates a need for improvement.

Expenditure

	2014/2013			2013/2012		
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	62,598	75,452	(12,854)	66,109	54,582	11,527
Facilitation and Industry Development	17,488	11,829	5,659	13,129	16,701	(3,572)
Road Transport Inspectorate	60,749	72,778	(12,029)	55,764	61,832	(6,068)
Regulatory and Legal Services	23,599	21,335	2,264	24,083	16,756	7,327
Strategic Support	21,335	5,937	15,398	45,259	8,884	36,375
TOTAL	**185,769**	**187,331**	**(1,563)**	**204,344**	**158,755**	**45,589**

The tables below detail the targets that were achieved and those that were not achieved during the year under review:

Table 2: Key performance indicators with achieved targets

No.	Key Performance Indicator	Percentage Achieved	Explanation
1	Partnerships developed and maintained with key stakeholders per year	350%	The need to meet with stakeholders to address urgent matters resulted in more meetings being held during the year. This enabled the Agency to address obstacles thereby ensuring free-flow of cross-border transport.
2	Number of key organisational processes documented	300%	As part of the deliverables for the financial year, the Project Management Office (PMO) had to develop the Project Management Governance Framework which resulted in the development of four (4) additional processes that enhanced the operational efficiency of the unit.
3	Number of Senior Management who have completed the Global Executive Development Programme (GEDP)	180%	A discount rate was offered to the Agency which made it possible to send more senior management to the GED Programme than initially planned.
4	Amount of penalty income generated per year	157%	The inspector deployment strategy was reviewed to focus on a more systematic approach to law enforcement prosecutions by placing inspectors in close proximity to ports of entry..
5	Number of prosecutions per year	155%	Broadened the prosecution scope and increased stringent compliance with provisions of section 40 of C-BRT Act as well as other enabling legislation.
6	Number of border co-ordination and corridor development meetings per year	150%	The need to attend more meetings due to the establishment of sub-committees for the Border Management Office.
7	Number of employees on training programmes linked to Personal Development Plans (PDP)	143%	Training needs for Inspectors were identified by the Road Transport Inspectorate and these were met within budget.
8	Number of inspections per year	130%	Strategic deployment of Inspectors resulted in increased inspections. Focused performance management on inspections.
9	Number of country meetings	125%	Arising from planned country meetings, multi-lateral and tri-lateral follow-up meetings had to be held to implement the actions agreed upon in the planned meetings which were been held.
10	Number of targeted operators to be visited: • Freight • Taxis; and • Buses	121%	There was a need to engage with more operators in order to enhance efficiency in curbing the possibility of conflicts arising.
11	Number of permits issued	122%	The issuing of permits on the 2003 tariffs resulted in a significant increase of permit applications for the conveyance of goods and passengers.
12	Number of key stakeholders engaged on the new business model of the Agency	114%	During the execution of the project, there was a need to engage more stakeholders than initially planned; which were necessary to obtain a broader understanding of stakeholder requirements and perception in regard to corridor and cross-border management constraints and reforms.
13	Number of industry development programmes implemented per year	113%	Due to a request by operators an additional programme on driver health and wellness was conducted.

No.	Key Performance Indicator	Percentage Achieved	Explanation
14	Number of SMME Operators (buses, taxis and freight supported through the industry development projects)	105%	Industry development programmes attracted more SMME operators due to the need in the industry.
15	Number of C-BRTA Board meetings and sub-committee meetings per year	104%	An additional C-BRTA Board strategic session took place in January 2014.
16	Number of values rollout workshops held (Agency values)	100%	The target was achieved.
17	Number of media liaison briefings conducted	100%	The target was achieved.
18	Number of on-boarding programmes conducted	100%	The target was achieved.
19	Approved employee relations strategy	100%	The target was achieved.
20	Approved staffing (human resources) plan	100%	The target was achieved.
21	Number of SCM frameworks implemented as per SCM Policy	100%	The target was achieved.
22	Number of procurement registers presented	100%	The target was achieved.
23	Accurate Annual Financial Statements submitted for audit	100%	The target was achieved.
24	Number of Management Accounts discussed including variance analysis	100%	The target was achieved.
25	Number of budget frameworks implemented	100%	The target was achieved.
26	Number of risk reports issued	100%	The target was achieved.
27	Number of accurate and substantial quarterly performance information reports approved linked to performance objectives	100%	The target was achieved.
28	Number of compliance reports issued	100%	The target was achieved.
29	Number of updates to the policy register	100%	The target was achieved.
30	Number of fraud and corruption reports issued	100%	The target was achieved.
31	Number of trade constraints addressed	100%	The target was achieved.
32	Number of client satisfaction surveys to be conducted	100%	The target was achieved.
33	Number of reports on harmonised SADC law enforcement standards and procedures per year	100%	The target was achieved.
34	Number of benchmarking studies conducted on cross-border law enforcement standards and procedures per year	100%	The target was achieved.
35	Number of phases completed in the development of Market Access Regulation (MAR)	100%	The target was achieved.
36	Number of phases completed in the development of the Business Case for Border Management streamlining	100%	The target was achieved.

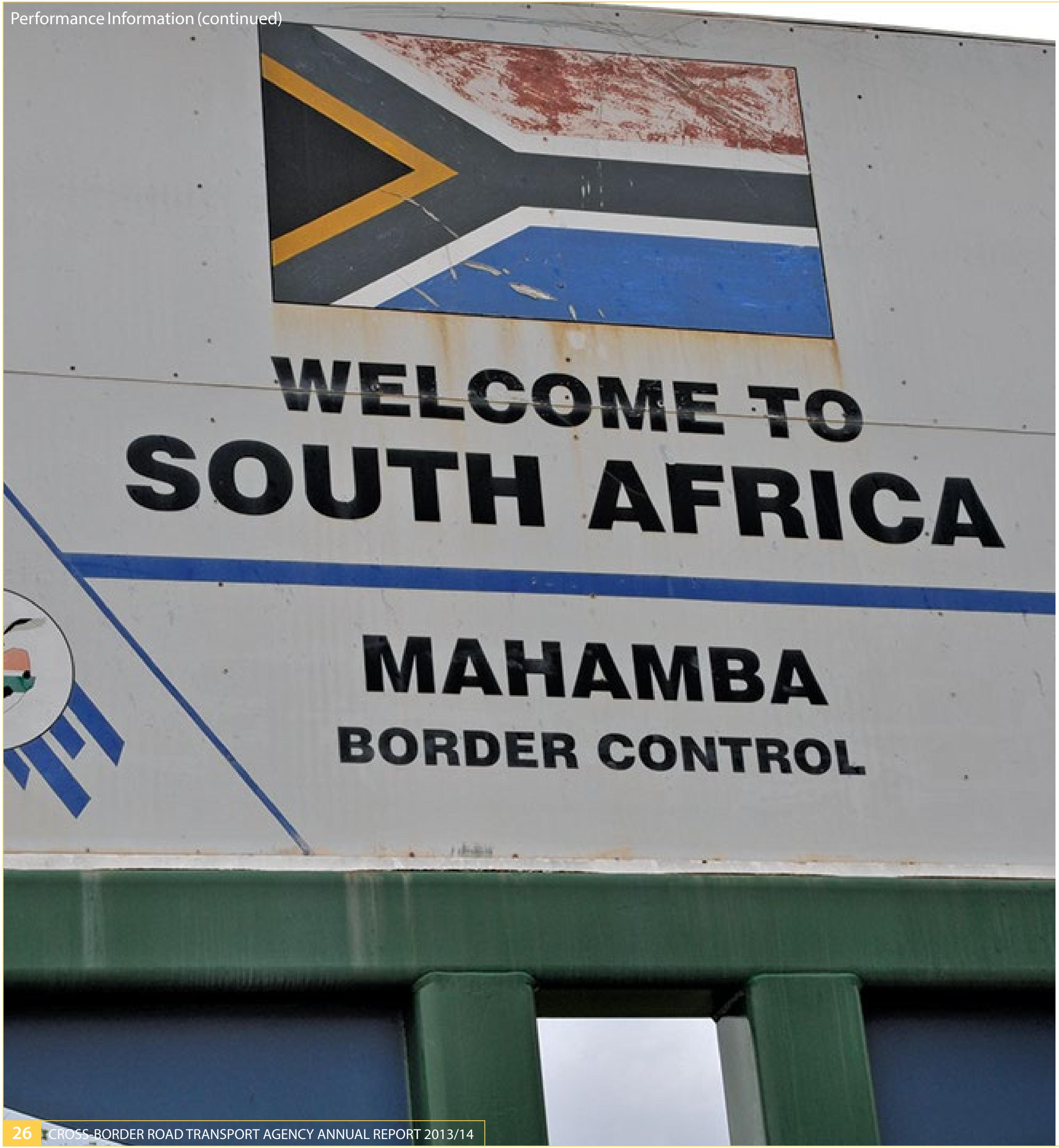
Table 2: Key performance indicators with achieved targets (continued)

No.	Key Performance Indicator	Percentage Achieved	Explanation
37	Number of strategic research reports completed per annum	100%	The target was achieved.
38	Number of talent management review sessions conducted	100%	The target was achieved.
39	Number of corridors that are regulated and enhanced for passengers	100%	The target was achieved.
40	Number of research reports on cross-border operational improvements	100%	The target was achieved.

Table 3: Key performance indicators with targets not achieved

No.	Key Performance Indicator	Percentage Achieved	Explanation
41	100% revenue due collected and recorded	98%	The non-achievement is related to penalty revenue. The average debtor's days for penalty revenue is 60 days, and there were long outstanding penalty revenues from the Barberton Magistrate court. The banking officer has since been appointed and deployed at the Barberton Magistrate court to resolve the backlog and improve cash collection.
42	Rate of operator compliance per year	92%	Coverage percentage of cross-border corridors is compromised by the staff compliment of the Inspectorate, thus encouraging operator non-compliance during night time hours when RTI Inspectors are not deployed.
43	Percentage of performance contracts finalised and appraisals conducted	88%	The first performance assessment was finalised and the final performance assessment could only be finalised after the financial year end.
44	Percentage of significant audit recommendations implemented	88%	The audit recommendations that have not been implemented relate to the conclusion of the Service Level Agreement between the Agency and SITA and/or the courts which remain outstanding. The Service Level Agreement with SITA and the courts on collection of penalty income has been drafted and shared with all relevant stakeholders. Follow-up meetings have been arranged to finalise and conclude the agreement.
45	Percentage of existing IT business systems and back-end infrastructure uptime	84%	The performance in the first quarter was negatively affected by the absence of the IT Service Desk. An automated IT Service Desk has since been implemented and the systems uptime is now maintained at an appropriate level.
46	Number of signed MoUs with strategic stakeholders	83%	The signature by the Head of Department (HOD) of Limpopo Provincial Department of Transport is still outstanding.
47	Number of employees on internship programmes	75%	A recruitment moratorium was passed.
48	Percentage completion of the internal rolling coverage plan	59%	Internal auditors failed to complete some audits as per the agreed internal audit annual plan.
49	Percentage completion of Operator Compliance Accreditation Scheme development per year	59%	The Operator Compliance Accreditation System is a long-term project. The variation in performance is due to the fact that the project is now scheduled to be implemented over a 4 year period, with piloting scheduled to start in 2016. The revised project plan was approved by both EXCO and the Regulatory Committee of the Board.
50	Number of living the values surveys conducted	50%	The scope of the first survey was comprehensive enough and the results thereof correlated with the findings of the second survey, and hence the report was not published.

No.	Key Performance Indicator	Percentage Achieved	Explanation
51	Number of meetings done on trading agreements	50%	The Department of Transport and the Southern African Customs Union (SACU) are responsible for convening these meetings. A resolution was passed that the Agency's participation will be through the Department of Transport and two (2) of the planned meetings were cancelled.
52	Number of Branding Strategy implementation sessions conducted	40%	The C-BRTA Board discussed and approved the Branding Strategy in February 2014. However, implementation could not take place due to financial constraints on the Agency as a result of the pending litigation.
53	Number of business support systems and IT back-end infrastructure implemented	36%	Due to lack of capacity within IT division and delays in the development of specifications, this indicator was not achieved. The implementation of Virtual Private Network and Telephone system (PABX) is underway with the appointed service provider. The specifications for the Permit System, Internet, Intranet, Disaster Recovery Plan and Document Management System will be finalised in the first quarter of the next financial year. The service providers will be appointed to assist with the implementation of these projects in the 2014/15 financial year.
54	Percentage completion of Point Demerit System development per year	20%	There was inadequate foresight on the timeframe required for the regulations to be legislated hence this could not be completed during the financial year under review.
55	Percentage completion of Formal Inspector Qualification development per year	4%	More research on the content of the programme was required at the beginning of the financial year to develop the terms of reference and at the time the tender was supposed to go out the Agency was not in a financially stable position to proceed with the project.
56	Number of high potential employees who have completed Accelerated Management Development Programme	0%	Due to austerity measures the training was put on hold due to financial constraints resulting from the pending litigation.
57	Number of different newsletters published	0%	No newsletters could be published because no suitable service provider could be appointed and later in the year the financial constraints resulting from the pending litigation prevented the project from proceeding.
58	Expanded service delivery model	0%	The Regulatory Committee resolved to include this project as part of CBRTS revamp instead of having it as a separate project. This inclusion will allow for the development of a uniform organisational IT solution.
59	Cross-Border Road Transport Amendment Act	0%	The process was abandoned due to Ministerial directive to execute a comprehensive mandate review project. The mandate review project is currently underway. The legislative discussion paper containing the reform proposals will be used as a base document to inform the mandate review project.
60	Board approved Cross-Border Road Transport Amendment Regulations (Electronic Route adherence control)	0%	The process of appointing a service provider to develop the technical system requirements and scoping report was delayed due to the specialised skills and competency requirements. Regulatory Committee approved the Route adherence policy and technical scoping report. The process underway to appoint a service provider to draft the regulations is underway.
61	Number of phases completed in the development of Strategic Value Proposition Plan completed	0%	The Agency took a decision to change the approach on the execution of the project. This was done to necessitate the inclusion of the 'new thinking' around the functions of the Agency aimed at providing more value added services to the industry. Thus, a decision was taken to postpone the project to the next financial year.
62	Number of phases completed in the development of Operator Compliance Accreditation Scheme (OCAS)	0%	The target was not achieved.



2.1. Programme 1: Administration

2.1.1. Corporate Services

2.1.1.1. Divisional Executive Summary

The Human Resources department embarked on numerous projects in the year under review, projects includes the entrenchment of a performance culture, embedding organisational values, culture change initiatives to address organisational challenges identified through the organisational culture survey. Furthermore, the Human Resources (HR) Department focused on the filling of critical positions to ensure sufficient staffing. To ensure that the Agency attracts and retains critical skills, an external benchmarking exercise was undertaken. This informed remuneration and reward project. A Talent Management and Employee Value Proposition Strategy was also approved. The management of employee relations is central to promoting a conducive working environment. Various engagements took place through the Labour Consultative Forum.

The division could not meet all the targets as planned due to internal interdependencies and the moratorium on recruitment, as indicated in Table 4 below.

2.1.1.2. Introduction

The purpose of the division is to provide professional advice and related services, and HR and facilities management to enable and enhance business delivery. These services include developing and adopting strategies that are responsive to the Business Strategy and strategic tasks confronting the Agency.

2.1.1.3. Strategic Objectives

- To improve institutional performance and governance.

2.1.1.4. Operational Performance

The Agency rolled out a performance management system in the 2011/12 financial year. A total of 88% target has been achieved against the set target of 100%. This figure excludes the final performance appraisals. To ensure continuous improvement of performance management, an external consulting firm conducted an audit to assess the maturity of the system. The final results indicated progression from basic to evolving. Entrenching performance management in the organisation is a change process and takes time to realise. Although the Agency's performance management system was audited and elevated to the next level, more effort is required to align it with best practice. The majority of Senior Managers completed the SMDP and a member of the Executive Team completed the GEDP. Furthermore, various training programmes and workshops were provided and the set target exceeded.

The approval of Talent Management Strategy was an important milestone in ensuring that interventions and frameworks for attracting, developing, engaging and retaining talent are in place. One talent review session was conducted. Furthermore, the HR Plan was approved. A total of 21 trainee inspectors and nine (9) interns were afforded the opportunity to gain workplace experience for a period of twelve months. It is anticipated that the majority of trainees will be absorbed upon successful completion of the programme. All the on-boarding programmes took place as planned. The evaluation and validation of jobs was conducted by an external service provider. This will ensure that employees are placed and remunerated at the correct pay scales.

In order to avoid prolonged wage negotiations, the Agency has entered into a multi-term wage agreement with organised labour. The Employee Relations Strategy was approved during the reporting period.

To ensure that suitable workspace is provided for employees, the Facilities Division acquired new offices for the Zeerust, Mokopane, Nelspruit, Durban and Upington regional offices.

The last quarter of the year under review saw the Board approval of the Brand and Marketing Strategy, as well as the Implementation and Budget Plan. The strategy which was meant to be implemented in the financial year under review, is most likely to be implemented in 2014/15. The implementation of the strategy will ensure the much needed awareness and visibility of the C-BRTA brand, both internally and externally.

Transcending Borders – External Newsletter

Only one edition of *Transcending Borders* was produced, as the Communications Unit continued, and still continues, to wait for the appointment of a design and printing company. This has meant that all printed materials could not be produced during the year under review. This impacted negatively on the efforts of making the Agency visible as well as communicating with operators and other stakeholders.

Media coverage

The Unit has continued to scout for opportunities for media coverage and succeed mainly with electronic media, both radio and TV, as well as, in a limited way, in print media. Various executives were interviewed by the SABC radio and TV news at C-BRTA events and the Agency's campaigns were mentioned on various radio news bulletins. The media liaison side of things seem to have gone fairly well and this is the only part of the Annual Performance Plan that met and even exceeded its targets.

Participating in external events

The Unit created visibility at Department of Transport and other transport entities' event. The Communications team also ensured that the C-BRTA is represented through participating in the Transport Communicators Forum and exhibiting at relevant events.

Improved staff communication and motivation effort

Various internal communications initiatives were either spearheaded by the Communications Unit. For example, to manage the flow of information from various parts of the organisations, a dedicated e-mail address "newsflash@c-brta.co.za" was developed to communicate various announcements, internal campaigns and matters that directly affect staff and this has worked very well. A dedicated communication template for the Chief Executive Officer's communication to C-BRTA staff entitled, "From the Desk of the CEO" was developed. Through this template the CEO communicates directly with staff on important changes or critical matters affecting the Agency.

Quarterly Staff Meetings have taken place as expected and are slowly gaining momentum in terms of active participation from staff, and the attendance has improved

The Voice of C-BRTA

The Unit introduced the idea of an internal newsletter and got staff involved in naming the newsletter. The name that was voted for by the majority of staff is: *The Voice of C-BRTA*. The production of the newsletter will only commence once the design and printing company have been appointed, in the new financial year.

Table 4: Corporate Services Performance against Pre-determined Objectives

Strategic Objective	Key Performance Indicator	Baseline (2012/13 Audited Target)	Target	Performance Result	Variance Explained
	Percentage of performance contracts finalised and appraisals conducted	-	100%	88%	Target not achieved. The first performance assessment was finalised and the final performance assessment could only be finalised after the financial year end.
	Number of values rollout workshops held	7	5	5	Target achieved.
	Number of living the values surveys conducted	-	2	1	Target not achieved. The scope of the first survey was comprehensive enough and the results thereof correlated with the findings of the second survey, and hence the report was not published.
	Number of Senior Management who completed the Global Executive Development Programme	2	5	9	Target exceeded. A discount rate was offered to the Agency which allowed more senior management to attend the GED Programme than initially planned.
	Number of high potential employees who have completed Accelerated Management Development Programme	0	13	0	Target not achieved. Training was put on hold due to financial constraints resulting from the pending litigation.
	Number of employees on training programmes linked to Personal Development Plans (PDP)	189	200	286	Target exceeded. Training needs for Inspectors was identified by the Road Transport Inspectorate and the training was carried out within budget.
	Number of Employees on Internship Programmes	12	12	9	Target not achieved. There was a recruitment moratorium in place.
	Number of On-boarding Programmes conducted	4	4	4	Target achieved.
	Number of talent management review sessions conducted	-	2	2	Target achieved.
	Approved Employee Relations strategy	-	1	1	Target achieved.
	Approved staffing (human resources) plan	1	1	1	Target achieved.

Table 4: Corporate Services Performance against Pre-determined Objectives (continued)

Strategic Objective	Key Performance Indicator	Baseline (2012/13 Audited Target)	Target	Performance Result	Variance Explained
	Number of Branding Strategy implementation sessions conducted	-	5	2	Target not achieved. The C-BRTA Board discussed and approved the Branding Strategy in February 2014. However, implementation could not take place due to financial constraints on the Agency as a result of the pending litigation.
	Number of different Newsletters developed	4	4	0	Target not achieved. No newsletters could be published because no suitable service provider could be appointed and later in the year the financial constraints resulting from the pending litigation prevented the project from proceeding.
	Number of Media Liaison Briefings conducted	4	4	4	Target achieved.

2.1.2. Governance

2.1.2.1. Divisional Executive Summary

In the year under review the Governance Division achieved 80% of its performance targets. The Board of Directors and its sub-committees attended to its entire agenda for the period.

Two audit reviews from the Internal Audit Plan were postponed with the approval of the Audit and Risk Committee. These two projects will be undertaken in the 2014/15 financial year.

2.1.2.2. Introduction

The purpose of the division is to establish sound corporate governance systems, to provide guidance to the Board and its sub-committees, implement the compliance framework, monitor and report on compliance matters to the Audit and Risk Committee of the Board, and oversee the outsourced functions of fraud and corruption and Internal Audit. Furthermore, the division maintains the internal policies register that outlines the approved policies and any amendments that have been effected on policies which necessitate the updating of the register.

2.1.2.3. Strategic Objectives

- Improve institutional performance and governance.
- Improve and maintain effective risk management.

2.1.2.4. Operational Performance

All Board and committee meetings took place as planned. In addition to ordinary meetings, the Board convened a special meetings to ensure that all matters that the Board needed to finalise before the end of the financial year were discussed and that Board resolutions were taken.

The Board, through the Audit and Risk Committee, monitored compliance with all laws that were identified to have an impact on C-BRTA business. This intervention has seen the Agency's legislative compliance improving significantly. Where necessary, policies were developed or reviewed to align them with the legislative requirements.

Lastly, the Board of Directors held a strategic planning session to finalise the five-year Strategic Plan for the Agency and the Annual Performance Plan for the 2014/15 financial year. The two documents were submitted to the Minister for approval before 31 January 2014 and the performance agreement between the Board and the Minister was signed by both parties in March 2014. Ministerial approval was obtained prior to the tabling of the plans in Parliament in March 2014.

Business Performance

The process of leading the development and compilation of the 2014–2019 Strategic Plan and 2014/15 Annual Performance Plan (APP) which was approved and signed-off by the Board and the Minister of Transport as the Shareholder was successfully accomplished.

Efforts were focused on streamlining and standardising performance reporting within the Agency and this culminated in the introduction of a monthly reporting framework, which aims to inculcate a culture of robust performance reporting while promoting the reliability and accuracy of reported figures. Emphasis was also placed on the need to maintain continued operations and service delivery in spite of the challenges presented by a business continuity event, incident or crisis.

The mapping of organisational business processes was done for two units within the Regulatory, Road Transport Inspectorate and Strategic Support divisions respectively. Permit issuing and profiling were prioritised due to these processes being core functions in the Agency.

Risk Management and Internal Controls

In continuing to enhance and strengthen the risk management portfolio of the Agency, several policies in respect of risk management and internal controls were developed and approved by the governance structures; i.e. Executive Committee (EXCO), the Audit and Risk Committee and Board; these include the internal controls framework, risk management processes and procedures, enterprise risk management framework and the combined assurance framework. The relevant governance structures were kept apprised of developments in the Agency's risk exposure and the mitigation thereof through quarterly risk management reporting. A risk maturity assessment was conducted and the Agency was rated at a Basic Level of maturity and initiatives were identified which will be implemented in the 2014/15 financial year to increase the level of maturity to the next level.

The sub-division embarked on the mapping of key business information systems processes in the Agency with the goal of providing an understanding of the current information systems processes and clarifying responsibilities with a view to ensuring an understanding of internal controls. The focus was on the processes relating to the CBRTS, PASTEL and Enforcer systems. The review of employment contracts to ensure that they are aligned to the requirements of the Basic Conditions of Employment Act was completed during the financial year and the findings were discussed with Human Resources management.

Significant strides have been made in establishing a culture of conscious risk management within the Agency. Although there is still a long way to go, the progress made during this financial year is satisfactory.

Table 5: Governance Performance against Pre-determined Objectives

Strategic Objective	Key Performance Indicator	Baseline	Target	Performance Result	Variance Explained
Improve and maintain effective risk management	Number of compliance reports issued	4	4	4	Target achieved.
	Number of updates to policy register	4	4	4	Target achieved.
	Number of fraud and corruption reports issued	4	4	4	Target achieved.
	Percentage completion of the Internal Rolling Coverage Plan	92%	100%	59%	Target not achieved. Internal auditors failed to complete some audits as per the agreed Annual Internal Audit Plan.
	Number of Board and sub-committee meetings per year	28	28	29	Target exceeded. The target was exceeded due to a Board strategic session that took place in January 2014.
Improve institutional performance and governance	Number of risk reports issued	-	4	4	Target achieved.
Improve non-financial performance reporting	Number of accurate and substantial quarterly performance information reports approved linked to performance objectives	-	4	4	Target achieved.

2.1.3. Finance, Supply Chain Management and Information Technology

2.1.3.1. Divisional Executive Summary

The Finance and SCM Units were able to achieve most of their performance indicators during the financial year and continued to improve financial controls within the Agency with the development of policies. The migration to Pastel Evolution will further improve financial reporting within the Agency.

The IT Unit continued its efforts to improve and stabilise the IT environment. The following are some of the projects completed:

- Microsoft licenses compliance audit;
- C-BRTA barcode implementation;
- Fully Oracle conversion;
- Data centre improvement; and
- Permit system stabilisation.

2.1.3.2. Introduction

The purpose of this Unit is to ensure provision of financial, SCM and IT services to the Agency and its line functions, while ensuring compliance with statutory requirements and best practice models.

2.1.3.3. Strategic Objectives

- To improve institutional performance and governance.

2.1.3.4. Operational Performance

Finance

The Agency's Annual Financial Statements for the year ending March 2013 were submitted in the first quarter of the year under review and the positive audit outcome was achieved with no material misstatements to the financials.

The process of migrating from Pastel Partner to Pastel Evolution has been finalised with the new system being full deployed for production from April 2014. The two systems were run in parallel and were reconciled over a period of six months to ensure the accuracy and integrity of the new system. It is anticipated that the new system will improve the accuracy and validity of transactions as well as general reporting and timeliness of reports. There are on-going engagements with the courts and State Information Technology Agency (SITA) to establish relationships and improve penalty revenue collection rate. The draft service level agreement is currently being discussed with the relevant external stakeholders.

Various policies were reviewed and implemented within the Finance Unit with a view of improving controls within the finance environment.

Supply Chain Management

The iQual supplier database was implemented in the first quarter of the financial year and through its use compliance with SCM regulations and procurement turnaround times were improved. A travel agent was appointed and the resource was dedicated to manage the travel office, thus leading to improved levels of compliance and turnaround times. New office spaces for Mokopane and Zeerust regional offices were acquired during the financial year. The Contract and Inventory Management Subunit was created to improve controls within these areas.

Various bids were advertised, evaluated, adjudicated and awarded during the financial year. The following bids were finalised:

- Industry Partnership Development Plan;
- Market Access Regulation;
- PABX;
- Virtual Private Network (VPN); and
- Security.

The fleet management bid is current under consideration and will be finalised in the first quarter of the next financial year.

Information Technology

The network was redesigned and converted to VPN (VLAN – segmented network into small manageable subnetworks) to accommodate growth in both user and network devices. This enhanced security over the network and improved communication through mobile devices and also created flexibility for future expansion. The Enforcer system was enhanced with the development of accident, inspection and investigations modules.

The permit system (C-BRTS) was stabilised and optimised to accommodate current business operations. The Rightfax system was implemented and enables users to improve their day-to-day operational environment when communicating with customers. The Information Technology Service Desk online system was implemented with the aim of improving the provision of IT services to its clients.

Table 6: Finance, SCM and IT Performance against Pre-determined Objectives

Strategic Objective	Key Performance Indicator	Baseline 2012/13	Target	Performance Result	Variance Explained
	Number of SCM frameworks implemented as per SCM Policy	2	3	3	Target achieved.
	Number of procurement registers presented	0	12	12	Target achieved.
	Accurate annual financial statements submitted for audit	-	1	1	Target achieved.
	Number of Management Accounts discussed including variance analysis	12	12	12	Target achieved.
	Number of budget frameworks implemented	1	3	3	Target achieved.
	100% revenue due collected and recorded	-	100%	98%	Target not achieved. Non-achievement on this indicates relate to penalty revenue. The average debtor's days for penalty revenue is 60 days and there were long outstanding revenues from the Barberton Magistrate court. The banking officer has since been appointed and deployed at the Barberton Magistrate court to resolve the backlog and improve cash collection.
	Number of business support systems and IT back-end infrastructure projects implemented	-	11	4	Target not achieved. Non-achievement on this indicator is due lack of capacity within the IT Unit and delays in the development of specifications. The implementation of Virtual Private Network and Telephone system (PABX) is underway with the appointed service provider. The specifications for the Permit system, Internet, Intranet, Disaster Recovery Plan and Document Management system will be finalised in the first quarter of the next financial year. The service providers will be appointed to assist with the implementation of these projects in the 2014/15 financial year.

Table 6: Finance, SCM and IT Performance against Pre-determined Objectives (continued)

Strategic Objective	Key Performance Indicator	Baseline 2012/13	Target	Performance Result	Variance Explained
	Percentage of existing IT business systems and back-end infrastructure uptime	-	96%	81%	Target not achieved. The performance in the first quarter was negatively affected by the absence of the IT Service Desk. An automated IT Service Desk has since been implemented and the systems uptime is now maintained at an appropriate level.
	Percentage of significant audit recommendations implemented	-	100%	88%	Target not achieved. The audit recommendations that have not been implemented relate to the conclusion of the Service Level Agreement between the Agency and SITA and/or the courts which remain outstanding. The Service Level Agreement with SITA and the courts on collection of penalty income has been drafted and shared with all relevant stakeholders. Follow-up meetings have been arranged to finalise and conclude the agreement.

2.2. Programme 2: Facilitation and Industry Development

2.2.1. Divisional Executive Summary

The year under review has been a great year in terms of giving the best service that is in line with the divisional mandate. This division presents its annual performance with a great sense of pride, owing to the fact that the slight fall-out in terms of performance targets is attributed to issues that were beyond its control. A 100% achievement on targets was achieved on four (4) out of the five (5) strategic objectives that were set.

2.2.2. Introduction

The purpose of this division is 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. Its key functional areas and related activities ensure C-BRTA's customers satisfaction, mainly that of operators as primary clients. Critical to its mandate is the focus on entrepreneurship and small and medium sized industry development initiatives.

2.2.3. Strategic Objectives

- Increase participation in border management operations.
- Develop cross-border industry partnerships.
- Entrepreneurship and capacity building for SMMEs in the cross-border transport sector.
- Roll out the Industry Partnership Development Plan (IPDP).
- Improve client relationship management and implement a client feedback mechanism for all services.

2.2.4. Operational Performance

Increased participation in border management operations

In order to fulfil its mandate, a target of 20 meetings was set for 2013/14. The objective ensured the Agency's participation at key ports of entry and further engagement with various state bodies. The Border Control Operational Co-ordinating Committee (BCOCC) and its Inter-Border Committees, Legal and Policy Committees and the Provincial Units are key bodies that regulates and control movement of passengers and goods through our ports of entry. Participation at these committees makes the best platform through which the Agency influences policy decisions that may have an impact on its operations. It further allows the Agency to present to the BCOCC its initiatives in enhancing an unimpeded flow of transport along corridors and through the borders.

It is in this space that the Agency is able to address operational constraints that affect its primary client, i.e. operators. The division played a role in the reviewing of the SACU MoU. The sub-unit also played a significant role in addressing the legal action by illegal operators and vendors against SANRAL and the Agency at the mouth of the border. Some highlights of the year include the interdepartmental meeting for the review of the SADC-EAC-COMESA yellow card system.

Develop Cross-Border Industry Partnerships

Industry development programmes assist in enhancing relations with operators and in the fulfilment of the division's mandate on SMME development. The programmes were mainly limited to training workshops and information sharing sessions, except for the youth programme that informed the current deviation towards formation of co-operatives. A challenge exists in the availability and willingness of operators to participate in the training workshops. Further to that was the difficulty in attaining good participation of women and youth. Whilst the set targets were successfully achieved, the impact that these programmes have on operators and its potential to enhance relations/partnerships remain unanswered. The sub-unit is subsequently considering a different operational approach that may ensure significant impact. The division's focus on development of co-operatives during 2014/15 is expected to accelerate and ensure high youth and women involvement.

Entrepreneurship and Capacity Building For SMMEs in the Cross-Border Transport Sector

The division has noticed the bias of some SMMEs towards taxi operations and hence focused on encouraging existing taxi operators to consider bus and freight operations. The sub-unit also liaised with Regulatory and Legal Service (RLS) and the Road Traffic Inspectorate (RTI) to acquire information on high rates of 'lack-of-permit'-related offences as well as identification of areas where awareness of the C-BRTA role is still lacking. This information was used to identify areas that needed information on permit application. As the Agency notes a growing number of new entrants into the cross-border road transport industry on an annual basis, one could also link the development to efforts that were made in this respect.

During the past financial year, focus was on towns where there seems to be a lot of interest in cross-border training but limited information on how to acquire permits. Promotional campaigns were held at the following areas:

- Musina, Limpopo;
- Ba-Phalaborwa, Limpopo;
- Kosi Bay, KwaZulu-Natal; and
- Upington, Northern Cape.

Partnerships Developed and Maintained with Key Stakeholders per Year

The division had a target of developing relations with ten (10) key stakeholders for the year and had to ensure that follow-up engagements took place in order to maintain the relations. The Agency was required to work with many stakeholders for the year and therefore the target was exceeded. The Agency successfully launched the Stakeholder Consultative Forum with the following external stakeholders as per the provisions of the C-BRT Act:

- The Department of Trade and Industry;
- The Department of Environmental Affairs;
- The Department of Tourism;
- The Department of Home Affairs; and
- The South African Revenue Services.

The Stakeholder Consultative Forum will address operational constraints through collaborative programmes and will serve as a structure to advise the CEO on cross-border-related matters and Regulatory Services.

Number of country meetings

The Agency manages the implementation of the bilateral and multilateral road transport agreements through Country Joint Committee meetings. The target for the year was to have two meetings per quarter, but due to the magnitude of the issues that had to be addressed, additional meetings were held which included a multilateral meeting between Botswana, Malawi, Mozambique, Namibia RSA, Zambia and Zimbabwe. A trilateral meeting also took place between RSA, Zimbabwe and Zambia. Further, successful bilateral meetings were held with Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland and Zimbabwe. Through the above meetings, various operational constraints, amongst others, were addressed between the RSA and the respective countries such as:

- The recognition of standards of RSA vehicles in Zimbabwe;
- The revocation of illegal permits issued by Swaziland for passenger operations at the OR Tambo International Airport;
- The recognition of speed limit stickers on vehicles in Botswana and the RSA;
- The staggering of bus time tables to alleviate congestion at border posts; and
- Reducing delays for operators through joint law enforcement initiatives.

Number of signed MoUs with strategic stakeholders

In order to formalise relations with stakeholders, the Agency embarked on a process to sign MoU's with key stakeholders. This had been a challenge since the signing of MoU's is dependent on the external stakeholder that C-BRTA intended to sign it with. However, the target was achieved and MoUs were signed with the following stakeholders:

- City of Tshwane;
- North West Department of Transport and Human Settlements;
- Musina Municipality;
- SANPARKS;
- KwaZulu-Natal Department of Roads and Transport; and
- Limpopo Provincial Department of Transport.

Number of targeted operators to be visited

One-on-one operator consultations were conducted during the 2013/14 financial year to identify and discuss issues of concern and priorities affecting their operations. This was mainly intended to improve communication channels and working relationships with cross-border operators. It was envisaged that the initiative would empower the cross-border industry to maximise business opportunities. All efforts to achieve this objective have proven to be excellent in view of the results attained.

This initiative had proven to be needed and relevant as it is highly appreciated by all operators since it gave them an opportunity to voice their individual concerns. This initiative is expected to influence the Agency's role in improving the seamless flow of movement in the region and add value to C-BRTA customers by reaching out to them at a time and place convenient to them. Going forward, this initiative will be applied to ensure increased customer satisfaction.

Improve client relationship management and implement a client feedback mechanism for all services

For 2013/14, a target of four client satisfaction surveys was set and that was achieved. Customer satisfaction surveys were conducted throughout the year and the following are the results.

- Quarter 1: 85.5%;
- Quarter 2: 81.9%;
- Quarter 3: 77.4%; and
- Quarter 4: 85.3%.

Owing to the agency's endeavour to diagnose its existing service culture from a customer's perspective as well as define the direction toward a culture that would maximise customer service effectiveness, the approach used was to focus on Implied Customer Expectations (expected by customer but not documented) as opposed to Expressed Customer Expectations (written down in the contract). The questionnaires were placed on the counters at the Help Desk area (customer service office).

An average of 82.5% was achieved as an annual customer satisfaction level. Some challenges that were recorded indicated overall dissatisfaction with the services provided by the C-BRTA. Critical to note is a general dissatisfaction on the rules and procedures pertaining to permit application. The following are random complaints by customers:

- Appalling queue management;
- IT servers are not satisfactory ;
- More branches across the country or improve access points e.g. the internet; and
- Too much paperwork.

Intervention plan

Although our customers are generally satisfied with the level of service we offer, the issues outlined above are critical and have a negative impact on the overall customer satisfaction level. As a measure to reduce complaints of this nature, the following intervention strategies are deemed viable:

- Improve systems or provide back-up systems when power or servers are down; and
- Improve customer touch-points (access channels), especially online applications.

Table 8: Facilitation and Industry Development Performance against Pre-determined Objectives

Strategic Objective	Key Performance Indicator	Baseline	Target	Performance Result	Variance Explained
Participation in border operations increased	Number of border co-ordination and corridor development meetings attended	-	20	30	Target exceeded. The need to attend more meetings due to the establishment of sub-committees for the Border Management Office.
Cross-border industry partnerships developed	Number of industry development programmes implemented per year	10	8	9	Target exceeded Due to a request by operators an additional programme on driver health and wellness was conducted.
Entrepreneurship and capacity building for SMMEs in the transport sector	Number of SMME Operations (buses/taxis and freight) supported through Industry Development projects	15	200	210	Target exceeded. Industry Development Programmes attracted more SMME operators driven by the need in the industry.
	Partnerships developed and maintained with key stakeholders per year	8	10	35	Target exceeded. The need to meet with stakeholders to address urgent matters resulted in more meetings being held during the year. This enabled the Agency to address obstacles ensuring free-flow of cross-border transport.
Industry Development Plan rollout	Number of signed MoUs with Strategic Stakeholders	-	6	5	Target not achieved. The signature by the Head of Department (HOD) of Limpopo Provincial Department of Transport is still outstanding.
Improve client relationship and implement feedback mechanism for all services	Number of client satisfaction surveys to be conducted	-	4	4	Target achieved.
	Number of trade constraints addressed	-	4	4	Target achieved.
	Number of targeted operators to be visited: • Freight • Taxis • Buses	-	 20 18 5	 20 15 17	Target exceeded. The was a need to engage with more operators in order to enhance efficiency in curbing the possibility of conflicts arising.
Participation in border operations increased	Number of country meetings attended	-	8	10	Target exceeded. Arising from planned country meetings, multilateral and trilateral follow-up meetings had to be held to implement the actions agreed upon in the planned meetings held.
Cross-border industry partnerships developed	Number of meetings done on trade agreements	-	4	2	Target not achieved. The Department of Transport and the Southern African Customs Union (SACU) are responsible for convening these meetings. A resolution was passed that the Agency's participation will be through the Department of Transport and two (2) of the planned meetings were cancelled.

2.3. Programme 3: Road Transport Inspectorate

2.3.1. Divisional Executive Summary

RTI had an impact in the prohibition and displacement of illegal operations on cross-border road transport. This is evidenced by the increase in the number of inspections and prosecutions in the period under review. Inspections conducted exceeded the set annual target by 31%. This performance provides a clearer and much more reliable perspective on the cross-border road transport compliance rate and trends in how cross-border road transport commodities and passengers are conveyed.

The rate of cross-border road transport prosecutions in the period under review has exceeded the set annual target by 60%. This is as a result of robust, strategic deployment of inspectors in close proximity to the commercial borders during peak traffic volume periods. This has, however, displaced illegal operators to travel during the day when there are no deployments on the road. The above-mentioned deployment of inspectors increased the roadside visibility of the Inspectorate and resulted in the over-collection of penalty revenue.

Operator compliance rate for the review period was set at 88%. However, due to robust deployment approaches adopted, the compliance rate was 83%, 5% below the set target.

In support of the Decade of Action for Road Safety under the Chairmanship of the Minister of Transport, the Inspectorate launched a 'Cross Alive' road safety campaign – a 365-day programme aimed at improving road safety from the cross-border road transport perspective. This event was graced by the presence of the Minister of Transport, Honourable Ms Dipuo Peters (MP).

This campaign was utilised to align succeeding regional and national law enforcement operations. Cross Alive law enforcement operations started on the N1 Musina to Beitbridge border post, across the North West province; the N4 to Kopfontein border post, Mpumalanga; N4 to Libombo border post; and Johannesburg CBD in Gauteng. The law enforcement operation in Johannesburg was conducted under the leadership of the Deputy Minister of Transport, Honourable Ms Sindisiwe Chikunga.

The law enforcement initiatives included all border management stakeholders, SARS, DHA, SANDF, SAPS and other traffic law enforcement agencies. The Cross Alive law enforcement operation in North West was attended by Namibian Road Traffic Police while the Musina law enforcement operation was attended by the Road Transport and Safety Agency of the Republic of Zambia.

Road Transport Inspectorate Profiling Unit submitted three quarterly reports to the Regulatory Committee. The second report spanned two quarters, the second and third quarter. The reports provided high level divisional performance and challenges for the respective quarters. The following was reported: received 51,328 consignment notes for all freight and 49,006 passenger lists, the majority being buses. There was a total of 13,946 expired permits, the majority being freight transport (7,200).

The profiling reports tendered above, exposed the N1 Beitbridge corridor as having a high number of illegal cross-border operations. N1 Beitbridge corridor has the majority of legal bus operations while the N4 Libombo corridor has the majority of legal taxi operations. These reports provide insight into habitual offenders on every route and in every mode of transport within the cross-border road transport fraternity during the period under review. Twenty-two (22) cases of fraudulent permits were registered with the SAPS and NPA, and in 14 cases the Inspectorate managed to obtain prosecutions with the NPA while others were still pending as at 31 March 2014.

The Inspectorate facilitated the following key and strategic skills development interventions for RTI personnel in the period under review:

- Commercial Vehicle Inspection Training;
- Road Incident Management Training;
- Dangerous Goods Training;
- Peace Officer Training;
- Administrative, Adjudication of Road Traffic Offences Training;
- Cross-Border Road Transport Act;
- National Land Transport Act Training; and
- Overloading Control Training.

Over and above the functional training provided to RTI inspectors, the Inspectorate provided entry level law enforcement training to 21 trainee inspectors on a learnership programme. At the end of the current financial year, the learnership programme was not yet complete.

The Inspectorate further provided the Road Transport and Safety Agency (RTSA) of the Republic of Zambia with the following training interventions as provided for in Article 5.9 of the SADC Protocol:

- SADC Protocol on Transport, Communication and Meteorology Training;
- Bilateral Agreement between RSA and Republic of Zambia;
- Importance of Law Enforcement in the Republic of Zambia; and
- Zambian Cross-Border Road Transport Regulations

RTI developed the Firearm Policy and had it approved by the Board of Directors. This initiative was aimed at mitigating the potential safety and security risk of deploying road transport inspectors out of normal business hours. The RTI Standard Operating Procedure (SOP) was amended to make provision for regional managers to have excess notice books in their regional stores. This was aimed at improving the efficiency in which notice books are managed and disposed.

2.3.2. Introduction

The purpose of the RTI is to ensure cross-border road transport operator compliance with all governing legislation, including but not limited to national legislation, bilateral road transport agreements, multi-lateral road transport agreements and the SADC Protocol on Transport, Communication and Meteorology. The strategic intent of the division is to facilitate unimpeded flow of freight and passenger transport by road in the Southern African Region by ensuring compliance with all laws and norms that regulate safety and security in cross-border road transport operations.

RTI comprises three sub-divisions through which it delivers its mandate. The sub-divisions are as follows:

Law Enforcement – A core functional area within RTI. It conducts vehicle road transport inspections for compliance with requisite vehicle standards and norms. These inspections ensure that all vehicles conducting cross-border road transport are in compliance with minimum road safety standards as provided for in the RSA transport legislation and related road transport agreements. Operators and drivers who are found to be non-compliant are prosecuted and at times vehicles impounded or scrapped. The competitive advantage of the programme is the strategic deployment of the Inspectorate and collaboration with all law enforcement agencies in the country and SADC.

Law Enforcement Profiling – A strategic sub-division within RTI. It collects information through vehicle inspections, vehicle prosecutions, passenger lists, consignment notes and other information gathering approaches to create law enforcement business intelligence. This function assists RTI management to make informed and intelligence-led decisions in conducting law enforcement operations and investigations. Various databases are developed for management of the Inspectorate. Internal controls for RTI are developed and managed from this sub-division.

Training and External Activities – Provides functional skills development interventions to the Inspectorate in a specialised and highly regulated environment. The entire skills development value chain for the Inspectorate is managed and maintained in this sub-division. It is also responsible for partnering with strategic and critical stakeholders within the fraternity to ensure efficient and effective delivery of the RTI mandate. The strategic partners include SADC counterparts, RSA border management entities and law enforcement agencies.

2.3.3. Strategic Objectives

- Operator compliance improved.
- Standards and procedures harmonised.

2.3.4. Operational Performance

Table 9: Road Transport Inspectorate Performance against Pre-determined Objectives

Strategic Objective	Programme Performance Indicator	Baseline 2012/13	Target	Performance Result	Variance Explained
Standards and procedures harmonised	Number of reports on harmonised SADC law enforcement standards and procedures per year	0	1	1	Target achieved.
	Number of benchmarking studies conducted on cross-border law enforcement standards and procedures per year	1	1	1	Target achieved.
Operator compliance improved	Number of prosecutions per year	15,384	18,969	29,411	Target exceeded. Broadened the prosecution scope and increased stringent compliance with provisions of section 40 of C-BRT Act as well as other enabling legislations.
Roadside visibility increased	Number of inspections per year	132,372	162,503	211,798	Target exceeded. This is due: • Strategic deployment of Inspectors and; • Focused performance management on inspections.

Table 9: Road Transport Inspectorate Performance against Pre-determined Objectives (continued)

Strategic Objective	Programme Performance Indicator	Baseline 2012/13	Target	Performance Result	Variance Explained
	Rate of Operator Compliance per year	88.79%	88%	81%	Target not achieved. Coverage percentage of cross-border corridors is compromised by staff compliment of the Inspectorate. Thus encouraging operator non-compliance during night hours when Inspectors are not deployed.
	Amount of penalty income generated per year	R19 995 790	R20,865,900	R35,052,800	Target exceeded. The inspector deployment strategy was reviewed to focus on a more systematic approach to law enforcement prosecutions by placing inspectors in close proximity to Border mouth.
	Percentage completion of Operator Compliance Accreditation Scheme development per year	20%	70%	41%	Target not achieved. The Operator Compliance Accreditation System is a long-term project. The variation in performance is due to the fact that the project is now scheduled to be implemented over a 4 year period, with piloting scheduled to start in 2016. The revised project plan was approved by both EXCO and the Regulatory Committee of the Board.
	Percentage completion of Point Demerit System development per year	20%	100%	20%	Target not achieved. There was inadequate foresight on the timeframe required for the regulations to be legislated hence this could not be completed during this financial year.
	Percentage completion of Formal Inspector Qualification development per year	0	100%	4%	Target not achieved. More research on the content of the programme was required in the beginning of the financial year to develop the terms of reference and by the time the tender was due to go out, the Agency was not in a financially stable position to proceed with the project.

2.4. Programme 4: Regulatory and Legal Services

2.4.1. Divisional Executive Summary

There was an overall increase of 13.65% in permits issued year-on-year during the year under review, which translates into an increase of 9,616 permits. The projection for permits to be issued for the 2013/14 financial year as per the Annual Performance Plan amounted to 65,500 permits, while the actual total number of permits issued amounted to 80,034 permits.

The low performance achievement may firstly be attributed to the postponement of the legislative review process in view of the Ministerial directive to embark on a broader mandate review exercise, and secondly to the Regulatory Committee resolution to include the service delivery model as part of the Cross-Border Road Transport System (CBRTS) revamp.

The Regulatory Services Unit firstly, executed the development of a Short Message Service (SMS) notification to enable seamless and continuous communication with internal and external stakeholders as a value add mechanism and secondly, the Radio Frequency Identification (RFID) tag to enable the verification of permits by the Road Transport Inspectorate as a tool to detect and enforce non-compliance by operators in real time. The systems are due to be deployed during the first quarter in the 2014/15 financial year.

2.4.2. Introduction

The Regulatory and Legal Services Division is responsible for regulating access to the cross-border road transport market, freight and passengers, through a permit administration regime. The regulation of market access is geared towards improvement and promotion of social and economic development and regional integration through progressive market liberalisation. The division is also tasked with ensuring compliance with the Agency's empowering legislation and related legislation, as well as the provisions of the bilateral and multi-lateral road transport agreements.

2.4.3. Strategic Objectives

- To regulate market access.
- To reviewed the C-BRT Act and its Regulations.

2.4.4. Operational Performance

2.4.4.1. Regulatory Unit

There was an overall increase of 13.65% in permits issued year-on-year during the year under review, which translates into an increase of 9,616 permits. The projection for permits to be issued for the 2013/14 financial year as per the Annual Performance Plan amounted to 65,500 permits, while the actual total number of permits issued amounted to 80,034 permits.

There was a decrease in cabotage permits from 71 to 60 permits in respect of goods, and on increase from 14 to 33 permits in respect of passenger permits. This outcome can be attributed to stringent compliance to the general prohibition of cabotage as per the provisions of section 32 of the C-BRT Act. The Act, however, does afford the Regulatory Committee discretion to uplift this prohibition subject to an applicant meeting certain stringent requirements. This prohibition is geared towards protecting the domestic freight and passenger industry market.

Permits issued for taxi operations increased by 5.3% during the year under review, up from 10,539 to 11,095. Hereto follows a statistical overview of the taxi permits issued per country:

Table 10: Permits issued for passenger transport (taxi)

Country	2012/13	2013/14	% Movement
Botswana	339	437	28.90%
Democratic Republic of Congo	0	4	400%
Lesotho	2,968	2,718	(8.40%)
Malawi	2	20	900%
Mozambique	4,332	4,390	1.30%
Namibia	79	154	94.90%
Swaziland	453	422	(6.80%)
Zambia	40	35	(12.50%)
Zimbabwe	2,312	2,882	24.60%
Cabotage	14	33	135%
Total	**10,539**	**11,095**	**5.30%**

Permits issued for bus operations decreased by 11.5% during the year under review, down from 3,144 to 2,781. Hereto follows a statistical overview of the bus permits issued per country:

Table 11: Permits issued for passenger transport (buses)

Country	2012/13	2013/14	% Movement
Botswana	100	484	384%
Democratic Republic of Congo	23	14	(39%)
Lesotho	595	506	(14.90%)
Malawi	127	167	23.90%
Mozambique	631	542	(14.10%)
Namibia	110	53	(51.80%)
Swaziland	182	73	(59.80%)
Zambia	77	65	(15.60%)
Zimbabwe	1,299	877	(32.50%)
Total	**3,144**	**2,781**	**(11.50%)**

Permits issued to freight carries increased by 16.1% during the year under review, up from 55,053 to 63,935. Hereto follows a statistical overview of the freight permits issued per country:

Table 12: Permits issued for freight transport

Country	2012/13	2013/14	% Movement
Botswana	7,769	8 180	5.30%
Democratic Republic of Congo	4,950	3 328	(32.70%)
Lesotho	4,315	4,026	(6.70%)
Malawi	1,322	1,814	27.10%
Mozambique	8,463	10,625	25.50%
Namibia	5,800	6,234	7.50%
Swaziland	5,357	5,281	(1.40%)
Zambia	8,574	13,721	60%
Zimbabwe	8,432	10,666	26.50%
Cabotage	71	60	(15.50%)
Total	**55,053**	**63,935**	**16.10%**

Permits issued to tourist operators increased by 31.5% during the year under review, up from 1,682 to 2,213. Hereto follows a statistical overview of the tourist issued for the region:

Table 13: Permits issued for tourist transport

Country	2012/13	2013/14	% Movement
Regional	1,682	2,213	31.50%

3.4.4.2. Legal Services

The Legal Services Unit focused on the vetting of contracts, drafting of service level agreements, research, and provision of legal advice and litigation management. It also embarked on a process to review the Cross-Border Road Transport Act, as amended (the Act), as part of the Agency's Changing Gears Strategy. The review sought to, amongst others, focus on aligning the Act to new legislative developments, expanding its funding model and mandate, enhancing its existing governance framework and broadening the Agency's facilitatory functions and stakeholders. A legislative review discussion document was developed to inform the drafting of the Amendment Bill.

The process was, however, put on hold during October 2013 as a result of a Ministerial directive to execute a comprehensive mandate review. The Agency has since embarked on the mandate review process which will be concluded during the 2014/15 financial year. The proposals contained in the legislative review discussion document will be used to inform the mandate review proposal.

The Agency also embarked on a process to develop Cross-Border Road Transport Regulations that define and enable an electronic route adherence scheme for the control and monitoring of foreign-registered freight vehicles travelling to and within South Africa. After extensive deliberations it became apparent that the work that was executed up to date, namely the execution of the pilot project, focused only on the capability of on-board units to record vehicle location and the drafting of regulations was therefore premature in the absence of an approved Route Adherence Policy and/or principles.

The Agency therefore embarked on the development of an outline policy and technical scoping exercise to make such a route adherence regime proposal more tangible. The policy was tabled to and approved by the Regulatory Committee and the development of the regulations will now be facilitated.

The Agency is involved in a number of legal cases, the most significant of which include the following:

CARS & DEERNAM/ / C-BRTA
ROAD FREIGHT ASSOCIATION // C-BRTA
The Minister of Transport amended the permit tariffs through the promulgation of the Cross-Border Road Transport Act Amendment Regulations, 2011 ("the Regulations") with effect from 1 April 2011. The Regulations reviewed and the Court ruled (under case number 32238/2011) that certain procedural errors were committed that had to be rectified. It evinced a clear intention that the status quo should be maintained by suspending the order of invalidity for a period of six months to enable the Agency and the Minister to republish the Regulations and thereafter to receive and consider public comment. The six-month period lapsed on 14 August 2013.

An appeal was noted against the whole judgement by CARS on 7 March 2013, which was later withdrawn on 29 November 2013.

CARS lodged an application to compel the Agency to issue permits against payment of the old permit tariffs. Part A of the application was heard on the 1 October 2013, while Part B of the application was heard on the 30 October 2013. Heaton-Nicholls J granted a declaratory order in favour of CARS on 1 November 2013. The declaratory order confirmed that the suspension period lapsed at midnight on 14 August 2013 and thus meant that the Agency had to revert to the 2003 permit tariffs. The Agency subsequently served an application for leave to appeal against the judgment which is still pending. The appeal will provide legal certainty in respect of the effective date of invalidity of the 2011 Regulations, i.e. with full retrospective effect to 31 March 2011 or 15 August 2013.

CARS subsequently instituted civil action for the payment of R2,656,500 in lieu of permit tariffs paid in terms of the 2011 Regulations. The notice of motion was served on the Agency on 13 December 2013 and the Office of the State Attorney duly instructed to file a notice to oppose. The matter is still pending.

CARTE BLANCHE CC, CBM HOT EXPRESS CC, CLEAR ENTERPRISES (PTY) LTD & WEST TRUCKING (PTY) LTD // C-BRTA & FOUR OTHERS
Various applicants that conduct cross-border road transport lodged an urgent court application against the Agency. In Part A of the application the applicants sought to interdict the Agency from detaining or impounding the applicants' vehicles, while Part B seeked an order to declare Section 31 & 40 (1) of the Cross-Border Road Transport Act, as amended, invalid and unconstitutional.

Part A of the application was heard on 03 December 2013 and dismissed by the Court, while Part B is still pending.

SWAZI MARINE INTERNATIONAL // C-BRTA

Swazi Marine International instituted a civil claim for damages against the Agency in the amount of R12,000,000 for an alleged unlawful impoundment of its vehicles. The claim dates back to an incident in June 2005. The matter is still pending.

STRATEGIC INTERVENTIONS

Cross-Border Road Transport Act Amendment Regulations, 2013

The Minister published draft Cross-Border Road Transport Act Regulations, 2013 ("2013 Regulations") in order to respond to the challenge brought about by the expiration of the suspension period and the declaratory order in the permit tariff litigation (case number 32238/2011). The draft 2013 Regulations sought to align the permit tariffs to the current economic reality faced by the Agency.

The 2013 Regulations were published on 19 November 2013 and remained open for comments till 18 December 2013. One of the stakeholders, in their comments, raised the improper constitution of the Board of the Agency in view of the absence of expert members as prescribed by the Act.

As a result, neither the Board nor the Minister could consider the comments of stakeholders or consult for the purposes of section 51 of the Act prior to the composition of the Board being rectified. The Minister appointed Board members with the necessary expertise, and the consideration of the comments and processing of the Regulations will be initiated during the 2014/15 financial year.

Permit Tariff Litigation

The Agency has experienced numerous challenges with the Office of the State Attorney due to its overburdened administration on the one hand, and a general lack of diligence and urgency displayed on the other. This, in turn, compromised the Agency and its ability to respond in an agile fashion to both existing as well as emergent litigious matters.

In view of the lack of urgency and diligence displayed in the permit tariff litigation (under case number 32238/2011), the Agency took a decision to withdraw the instruction of the Office of the State Attorney and assign a private law firm to handle the litigation forthwith.

Radio Frequency Identification

The permit consists of a number of security features (covert and overt) to mitigate the use of fraudulent permits in the industry. The Road Transport Inspectorate has, however, experienced an increase in the use of fraudulent permits by illegal operators on various routes. Visual verification on the road by the Inspectorate can be difficult in poor weather conditions or during night time.

The introduction of a barcode will allow for the electronic verification of authenticity and will therefore establish an auditable record of the verification. The barcode is currently designed to allow for scanning, verification and authentication by means of a Personal Digital Assistant (PDA) or android smart phone.

The development of the functionality has been completed by the service provider during the period under review and is due to be implemented during the first quarter of the new financial year.

SMS System

The Regulatory Services Unit does not have notification system, which can be deployed to inform its operators with regards to the status of their permits. The unit identified a need to implement and support a notification system, which will enable the Agency to send advanced notifications to operators, advising them of the status of applications, expiration of their permits and relevant information on any other matter of importance.

SMS System will enable the Agency to send alerts to operators 30 days before their permits expire and will also inform them about any developments within the Agency. The SMS System will be used for alerts, reminders and marketing to external stakeholders and also for internal communication between management and staff.

The development of the functionality has been completed by the service provider during the period under review and is due to be implemented during the first quarter of the new financial year.

Points Demerit System

The Agency has limited powers to regulate foreign operators in terms of market access. It, however, has jurisdiction to ensure that foreign operators comply with South African laws while operating in the country. It is proposed that the Agency keeps a register of all foreign operators known to it with their vehicle particulars, etc. Points should be allocated to both foreign and South African operators for offences and infringements for the purpose of advising the foreign competent authorities of the law enforcement profiles of their operators. This will, in turn, assist both the Agency and the foreign competent authorities to consider the law enforcement profiles when considering applications for renewal or additional permits.

Section 45 of the Act empowers the Minister to devise and implement a points demerit system in consultation with the Board of Directors. The system must be based on contraventions of the Act and the National Road Traffic Act. The Act furthermore requires the Minister to publish, in two official languages, his or her intention of devising a points demerit system in the *Government Gazette* and allow three months for comment on the proposals. The Agency has prepared a notice for the Minister to publish as contemplated in section 45 of the Act.

The Regulatory Committee considered a submission at its meeting of 19 March 2014 and resolved to recommend the implementation of a points demerit to the Board for consideration.

Table 14: Regulatory and Legal Services Performance against Pre-determined Objectives

Strategic Objective	Key Performance Indicator	Baseline	Target	Performance Result	Variance Explained
Market Access Regulated	Number of corridors regulated for passengers	0	8	8	Target achieved.
	Number of permits	70,418	65,500	80,034	Target exceeded. The issuing of permits on the 2003 tariffs resulted in a significant increase of permit applications for the conveyance of goods and passengers.
	Expanded service delivery model	1	1	0	Target not achieved. The Regulatory Committee resolved to include this project as part of CBRTS revamp instead of having it as a separate project. This inclusion will allow for the development of a uniform organisational IT solution.
	Cross-Border Road Transport Amendment Act	0	1	0	Target not achieved. The process was abandoned due to Ministerial directive to execute a comprehensive mandate review project. The mandate review project is currently underway. The legislative discussion paper containing the reform proposals will be used as a base document to inform the mandate review project.
	Board approved draft Amendment C-BRT Act Regulations (electronic route adherence).	0	1	0	Target not achieved. The process of appointing a service provider to develop the technical system requirements and scoping report was delayed in view of the specialised skills and competency requirements. Regulatory Committee approved the Route adherence policy and technical scoping report. Process underway to appoint a service provider to draft the regulations.

2.5. Programme 5: Strategic Support

2.5.1. Divisional Executive Summary

The Strategic Support Division continued to prioritise the successful delivery of the strategic projects which form the key pillars of the Agency's turnaround strategy, 'Changing Gears', as approved by the Board of Directors in 2011.

Out of the five (5) Changing Gears Strategic Projects, three (3) were successfully completed. All four (4) strategic research projects and one (1) cross-border operational research project were successfully completed as per the 2013/14 Annual Performance Plan (APP) targets.

The process of leading the development and compilation of the 2014/19 Strategic Plan and 2014/15 APP which was approved and signed-off by the Board of Directors and the Minister of Transport was successfully accomplished. In continuing to enhance and strengthen the risk management portfolio of the Agency, several policies in respect of risk management and internal controls were developed and approved by the Executive Committee (EXCO) and the Audit and Risk Committee.

2.5.2. Introduction

The main purpose of the division is to provide strategic support by driving execution initiatives within the area(s) of project management and research in the C-BRTA to enable the organisation to achieve its objectives and goals on the Changing Gears Strategy. By conducting in-depth research in the areas of cross-border road transport and border management, the division is able to provide scientifically-driven solutions to the Agency, to inform decision-making.

The division is also responsible for performance, risk management and internal controls within C-BRTA. This unit provides organisational oversight on performance monitoring and evaluation, risk management and internal controls to ensure that a sound performance culture is embedded within the organisation, whilst at the same time promoting corporate governance by continuously monitoring risk management and adherence to all organisational internal controls, as stipulated in applicable legislative policies and regulations.

2.5.3. Strategic Objectives

The key functions of the division are:

- To review the C-BRTA mandate and to conduct research on key areas that impact on the work of the C-BRTA and to continually advise the Minister as stipulated in the Act, while ensuring synergy amongst divisions;
- To improve institutional performance and governance;
- To undertake project management programmes within the Agency; and
- To be the custodian of data and information retention through the Knowledge Management Function.

Business Support

In line with the functions of the division assuming a leading role in driving the Agency's strategic agenda, the Strategic Support Division provided an oversight function in respect of the execution of deliverables as outlined in the Strategic Plan and APP.

As part of internal and external stakeholder support, the division actively participated in committees and projects both within the Agency and in the transport sector in general, which were initiated to focus on interventions aimed at improving operational efficiency within the industry.

2.5.4. Operational Performance

The division managed to deliver most of its APP targets for the 2013/14 financial year. An annual performance achievement of 90% of planned targets was recorded after the division managed to achieve nine (9) out of the ten (10) planned targets for the financial year.

2.5.4.1. Project Management Office (PMO)

Strategic Projects

Out of the five (5) Changing Gears Strategic Projects, three (3) were successfully completed namely the Market Access Regulation (MAR), Industry Partnership Development Plan (IPDP), and the Business Case for Corridor and Border Management Reform (BCCBMR) Project. The Operator Compliance Accreditation Scheme (OCAS) quarterly performance targets were achieved. OCAS is a long-term project with piloting scheduled to commence in 2016, after which implementation will be rolled out. The Strategic Value Proposition Plan (SVPP) fell behind schedule and could not be completed.

Hereunder are the envisaged benefits to be derived from the completed strategic projects:

- The delivery of the MAR project will aid in improving stakeholders' decision-making process credibility in processing cross-border permit applications, and will assist in striking a balance between supply and demand of transport services in the cross-border commercial passenger road transport sector;
- The IPDP delivery will aid stakeholders in guiding the development of partnerships in the cross-border industry towards reduction of constraints; facilitating the unimpeded flow of cross-border movements and development of the SMMEs; and
- The BCCBMR will help to quantify the corridor constraints, identify and assess possible corridor and border management reforms/interventions that when implemented will culminate in reduction of cross-border constraints/Non-tariff barriers (NTBs) whilst increasing efficiencies along the cross-border corridors.

Research Projects

Four (4) strategic research projects and one (1) cross-border operational research project were successfully completed as per the APP targets, namely:

- Identifying the role of the C-BRTA in driving the successful implementation of road transport projects set out in the SADC Regional Infrastructure Development Master Plan (RIDMP);
- The impact of overlapping Regional Economic Community (REC) memberships on the effectiveness of regulatory frameworks and regional integration;
- Role of the private sector in border management;
- Co-ordinated Border Management Implementation Plan; and
- State of South African border posts.

These projects were aimed at obtaining an in-depth understanding of various aspects within the cross-border and regional environments in which the Agency is operating, and to identify potential future opportunities that the Agency may exploit as possible value-adding services to the road transport industry. Transport operators and other private sector players will use the information in fleet routing, fleet scheduling and estimation of trip turnaround times *inter alia* impacting on productivity and capital efficiency. The information would also be useful for all stakeholders at border posts and infrastructure planning by government departments.

Research and Knowledge Management

The Research and Knowledge Management Unit documented the project preliminary check processes, project monitoring and control processes, project closure processes and research process guidelines. To enhance its systems and processes, the PMO developed its Project Management Governance Framework, which entailed a Project Management Methodology tailored to support the type of projects undertaken by the unit.

The unit embarked on a number of other strategic initiatives, namely: developing a proposal on the establishment of an information database to store information on cross-border corridors, cross-border industry entry requirements, corridor conditions with respect to major SADC cross-border corridors, and internal and external support services to both internal and external stakeholders.

Table 15: Strategic Support Performance against Pre-determined Objectives

Strategic Objective	Key Performance Indicator	Baseline (2012/13 Audited Target)	Target	Performance Result	Variance Explained
	Number of phases completed in the development of Strategic Value Proposition Plan completed	N/A	1	0	Target not achieved. The Agency took a decision to change the approach on the execution of the project. This was done to necessitate the inclusion of the 'new thinking' around the functions of the Agency aimed at providing more value-added services to the industry. Thus, a decision was taken to postpone the project to the next financial year.
	Number of key stakeholders engaged on the new business model of the Agency	N/A	7	8	Target exceeded. During the execution of the project, there arose a need to engage more stakeholders than initially planned; which were necessary to obtain a broader understanding of stakeholder requirements and perception in regard to corridor and cross border management constraints and reforms.
	Number of phases completed in the development of Market Access Regulation (MAR)	N/A	1	1	Target achieved.
	Number of phases completed in the development of the Business Case for Border Management streamlining	N/A	1	1	Target achieved.
	Number of phases completed in the development of Operator Compliance Accreditation Scheme (OCAS)	N/A	1	0	Target not achieved.
	Number of Strategic research reports completed per annum	11	4	4	Target achieved.
	Number of research reports on cross-border operational improvements	-	1	1	Target achieved.
	Number of key organisational processed documented	-	2	6	Target exceeded. As part of the deliverables for the financial year, the Project Management Office (PMO) had to develop the Project Management Governance Framework and in so doing there arose the need to develop four (4) additional processes that enhance the operational efficiency of the unit.

3. Revenue Collection

	2014/2013			2013/2012		
Sources of Revenue	Estimate	Actual amount collected	(Over)/ Under Collection	Estimate	Actual amount collected	(Over)/ Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Permit Income	160,903	96,456	64,447	189,458	165,934	23,524
Penalty	20,866	35,053	(14,187)	13,000	19,996	(6,996)
TOTAL	**181,769**	**131,509**	**50,260**	**202,458**	**185,930**	**16,528**

Despite the higher number of permits issued during the year, the Agency could not meet its permit revenue targets. This led to the reported deficit being reported for the year ended March 2014 and a consequent negative cash flow for the year. To meet its performance targets, the entity had to utilise prior year accumulated surpluses and cash reserves generated in prior years.

The Agency had to reverse its tariffs to 2003 rates as a result of a court judgment passed earlier in the financial year hence operated on these lower tariff rates for more than seven months of the financial year. A new, sustainable tariff regime took effect in the new financial year.

• PART C: GOVERNANCE •

1. Introduction

The Cross-Border Road Transport Agency is a statutory body established in terms of the Cross-Border Road Transport Act, Act No. 4 of 1998, as amended. The C-BRTA is listed as a Schedule 3A public entity in terms of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), and is therefore required to comply not only with its enabling legislation, but with the PFMA as well.

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 its achievement in terms of strategic objectives.

2. Portfolio Committees

Date	Parliamentary Structure	Focus	Key Issues Raised
10 October 2013	Portfolio Committee on Transport	Annual Report and financial briefings of transport entities	Commended CEO for the leadership role he fulfils and congratulated the leadership of the Agency on achieving its first unqualified audit report since inception.
21 October 2013	ANC Study Group	Need for action plans for projects that will be implemented in local municipalities to support government's Programme of Action	Need for entities to profile transport achievements since the first democratic elections in 1994.
15 October 2013 28 January 2014	Select Committee on Public Services	Lesotho-Free State/RSA cross-border operations impasse	Concerns about slow/lack of progress in resolving the cross-border impasse; and engagement on the action plan to resolve the cross-border passenger operations impasse.

3. Executive Authority

The Minister of Transport is the shareholder and the Executive Authority to which the Board accounts. The Minister approves both the five-year Strategic Plan and Annual Performance Plan of the Agency. As the Executive Authority, the Minster takes responsibility for the tabling of the Agency's Strategic Plan and APP. The relationship between the Minister and the Board is governed by a performance agreement that the two parties conclude annually. Furthermore, the Minister interacts with the Board on a quarterly basis through performance reports. In addition to these formal and legislated reporting requirements, the Minister engages the Board through meetings when deemed necessary or at the request of the Board. The Minister annually meets with the Board after the final submission of the audited Financial Statements and Annual Report.

4. The Board

The Board is the custodian of corporate governance and is responsible for ensuring that the Agency operates along sound corporate governance principles by developing policies, and establishing appropriate governance structures and systems for monitoring and evaluating compliance with legislative prescripts and standards. The Board subscribes to the King Report on Governance for South Africa and the King Code for Governance Principles (King III) and all Board members are members of the Institute of Directors of Southern Africa. The Agency has a unitary Board structure with nine Non-executive Directors and one Executive Director. Thus the majority of Board members are non-executive and not involved in the day-to-day running of the Agency. The responsibility of the Chairperson and the Chief Executive Officer are clearly defined. No one person has unfettered powers of decision-making.

All Non-executive Directors are independent. To uphold their independence and integrity, each Board member discloses all material interest as and when they arise. On an annual basis, Board members sign a disclosure form in terms of which they confirm their directorship and ownership of companies or legal entities.

The Board established three committees namely, Human Resources and Remuneration Committee, Audit and Risk Committee and Procurement Committee, to assist in fulfilling its roles and responsibilities. The Board further has a prescribed committee referred to as the Regulatory Committee. The Regulatory Committee is established in terms of C-BRT Act. The roles and responsibilities of each committee are set out in the Terms of Reference that are formally adopted by the Board. These Terms of Reference are reviewed annually to ensure that they remain relevant. The primary role and responsibilities of the Audit and Risk Committee are prescribed by PFMA.

Although the Board has established the above committees to assist with the discharge of its responsibilities, there are certain roles and responsibilities that are reserved for the Board and that may not be delegated, including powers to set and approve the organisational Strategy and APP, approval of the budget, approval of performance reports, approval of Financial Statements.

The Board is guided by a Charter, which sets out its responsibilities. The Board Charter is reviewed annually for relevance.

There is a formal delegation of authority, which sets out the categories of decisions that require approval by the Board, Board Committee, CEO and levels within the Agency's officials. Compliance with this delegation is the responsibility of the Board.

The Board meets four times a year. Additional meetings may be held whenever deemed necessary. The Chairperson, in consultation with the Chief Executive Officer and Company Secretary, is responsible for setting the agenda of each meeting. Board meetings are scheduled well in advance and Management ensures that Board members are timeously provided with all the relevant information and facts to enable the Board to reach objective and well-informed decisions.

The Chairperson of each committee reports back to the Board on matters discussed after every meeting. The minutes of all Board and strategy meetings are circulated to all Board members.

Board Meeting Attendance									
Member	26/04/2013	29/05/2013	25/07/2013	08/08/2013	02/10/2013 (AGM)	24/10/2013	24/01/2013	19/03/2014	Total attendance
Mr M Matete	✓	✓	×	✓	✓	✓	✓	✓	7
Mr S Khumalo	✓	×	✓	✓	✓	✓	✓	×	6
Ms M Nkomo	✓	✓	✓	×	✓	✓	✓	✓	7
Ms N Nakene	✓	✓	✓	✓	✓	✓	×	✓	7
Ms S Singh	✓	✓	✓	✓	o	o	o	o	4
Mr S Mngqibisa	×	×	✓	✓	×	✓	×	✓	4
Mr N Mhlongo	✓	✓	×	✓	✓	✓	✓	✓	7
Prof. D Thwala	/	/	✓	✓	✓	✓	✓	✓	6
Adv. S Letele	/	/	✓	✓	×	✓	×	×	3
Mr T Bailey	/	/	×	✓	✓	✓	✓	✓	5

✓ Present at the meeting × Absent with apology o No longer a Board member / Not yet appointed as a Board member

5. Audit and Risk Committee

The Audit and Risk Committee comprises four Non-executive Directors and one specialist committee member appointed by the Board. The Chief Executive Officer and Chief Financial Officer have a standing invitation to attend all committee meetings.

The main purpose of the committee is to assist the Board in monitoring the integrity of the Financial Statements and overseeing the performance reports. It is responsible for the effectiveness of the internal financial controls and oversees the External and Internal Audit functions. The committee is also responsible for IT governance.

The committee operates in line with its Terms of Reference, which incorporate roles and responsibilities prescribed by the PFMA. It meets four times a year, and when the need arises for a special meeting to be convened.

The Internal Audit function is outsourced to a service provider and the Internal Audit team reports functionally to the Audit and Risk Committee. The Internal Audit team operates in terms of the Internal Audit Plan, which was approved by the Committee. The Internal Audit team attends all the meetings of the Committee.

Audit and Risk Committee Attendance						
Member	23/04/2013	25/05/2013	19/07/2013	18/10/2013	21/01/2014	Total attendance
Mr N Mhlongo (Chairperson)	✓	✓	✓	✓	✓	5
Ms N Nakene	✓	✓	✓	✓	×	4
Ms S Singh	✓	×	✓	o	o	2
Ms P Mzizi	✓	✓	✓	✓	✓	5
Prof. D Thwala	–	–	–	×	✓	1
Adv. S Letele	–	–	–	✓	×	1

✓ Present at the meeting × Absent with apology – Not yet appointed as a committee member o No longer a committee member

6. Human Resources and Remuneration Committee

The Committee comprises four Board members and operates in terms of its Board-approved Terms of Reference. The main purpose of the Committee is to ensure the adoption of the Human Resource Strategy and policies that seek to drive high performance, attract and retain skills and remunerate and reward good performance.

The committee meets four times a year and when there is a need for a special meeting to be convened.

Human Resources and Remuneration Committee Attendance							
Member	16/04/2013	19/07/2013	15/08/2013	22/10/2013	26/11/2013	11/02/2014	Total attendance
Ms M Nkomo	✓	✓	o	✓	o	o	3
Mr N Mhlongo	✓	✓	o	o	✓	✓	4
Ms N Nakene	✓	✓	✓	✓	✓	✓	6
Mr S Khumalo	×	✓	✓	×	✓	✓	4
Ms S Singh	–	–	✓	o	o	o	1
Prof. D Thwala	–	–	✓	✓	✓	✓	4
Mr T Bailey	–	–	✓	×	×	×	1

✓ Present at the meeting × Absent with apology – Not yet appointed as a committee member o No longer a committee member

7. Procurement Committee

The Procurement Committee comprises three Board members, and the Chief Executive Officer, Chief Financial Officer and the Senior Manager responsible for Supply Chain Management have a standing invitation to attend Committee meetings. The Committee does not have planned meetings and only meets as and when there is a procurement that falls within its mandate.

Procurement Committee Attendance		
Member	29/01/2014	Total attendance
Ms M Nkomo	✓	1
Mr N Mhlongo	✓	1
Ms M Nakene	×	0
Mr S Khumalo	✓	1

✓ Present at the meeting × Absent with apology

8. Regulatory Committee

This is a statutory committee established in terms of the C-BRT Act. The committee is chaired by the Chairperson of the Board, and its members are prescribed. Additional members to the committee do not have a right to vote.

The committee holds monthly application hearings and meets four times per year.

Regulatory Committee Attendance					
Member	23/05/2013	22/08/2013	21/11/2013	20/03/2014	Total attendance
Mr M Matete	✓	✓	✓	✓	4
Ms M Nkomo	✓	✓	✓	✓	4
Mr S Khumalo	×	✓	×	✓	2
Mr S Mngqibisa	×	✓	×	✓	2
Ms S Singh	✓	✓	o	o	2
Adv. S Letele	–	✓	✓	×	2
Mr T Bailey	–	×	×	✓	1

✓ Present at the meeting × Absent with apology – Not yet appointed as a committee member o No longer a committee member

9. Compliance with Laws and Regulations

Legislative compliance is the responsibility of the Board. The Board has approved a Compliance Manual which is implemented by Management. Management submits quarterly reports on the Agency's compliance with legislation and regulations to the Board.

10. Fraud and Corruption

The Agency has adopted a zero tolerance approach to fraud and corruption. Incidents of fraud and corruption are investigated and where *prima facie* evidence exists and prosecution is initiated. The Board has adopted a Fraud and Corruption Policy, and the Agency has a toll-free line for the reporting of any fraud and corruption cases. To ensure the integrity of the line and to ensure the anonymity of callers, the Agency has outsourced the toll-free line. Fraud or corruption cases are reported to the Board on a quarterly basis.

11. Minimising Conflict of Interest

At every Board and committee meeting, members and officials in attendance are required to disclose whether they have any interest in any of the matters on the agenda and to recuse themselves should such interest exist. Furthermore, the Board Charter deals with this matter.

12. Code of Conduct

The Board has adopted a Code of Conduct, which is applicable to all Board members and Agency officials. The Code of Conduct sets out the values that the Agency subscribes to and the expected behaviour consistent with such values.

13. Health, Safety and Environmental Issues

Health and safety matters are monitored by the Corporate Services Division. The Agency seeks to comply with all relevant legislation in this regard.

14. Company Secretary

The primary responsibility of the Company Secretary is to provide guidance to the Board in the discharge of its fiduciary duties and to ensure that Board proceedings are carried out accordance with the relevant legislative requirements.

The Company Secretary plays a significant role in the following:

- Induction of new Board members;
- Tabling relevant information on regulatory and legislative changes to the Board;
- Guidance to Board members individually and collectively on their duties and responsibilities; and
- Providing guidance to and advising the Board on ethical matters and good governance principles.

Board members have unlimited access to the advice and services of the Company Secretary.

PART D: HUMAN RESOURCE MANAGEMENT

1. Introduction

The Human Resources (HR) Department has embarked on numerous projects in the year under review. These included the continuous implementation of the performance management system, initiatives around embedding organisational values, and the development of a Culture Change Plan to address organisational issues and challenges that were identified through the culture survey. Furthermore, HR focused on the filling of critical positions to ensure that the Agency is sufficiently staffed. To ensure that the Agency attracts and retains critical skills, a benchmarking exercise was undertaken to inform the finalisation of the Remuneration and Reward Strategy.

Graduate recruitment and development is central to the alleviation of unemployment in the country, as a result the Agency has embarked on the recruitment and placement of graduates. A total of 21 trainee inspectors and nine (9) interns were afforded the opportunity to gain workplace experience for a period of twelve months. It is anticipated that the majority of trainees will be retained upon successful completion of the programme.

The C-BRTA developed a three-year Employment Equity (EE) Plan which came into effect in October 2011. As at the end of March 2014, Africans constituted 83% of the workforce, 51% were female and people with disabilities represented 0.7% of the workforce. The recruitment of the other designated groups (Coloureds and Indians) has been considerably slow and plans will be put in place during the review of the EE Plan in the 2014/15 financial year. In relation to the management of employee relations, the Agency regards relationships with organised labour as central to building a conducive environment. A number of policies and interventions were presented during Labour Consultative Forum (LCF) engagements where labour representatives received training on remuneration and related aspects.

Other highlights for the year under review were:

- Performance management

The Agency rolled out performance management system in the 2011/12 financial year. An external consulting firm conducted an audit to assess the maturity of the system. The final results indicated that significant deficiencies identified in the previous audit were largely addressed and elevated the maturity of the system from basic to evolving.

- Training and development

A total of eight (8) Senior Managers completed the SMDP and one (1) member of the Executive Team completed the Global Executive Development Programme. Furthermore, various training programmes and workshops were provided. The targets set for the year under review were exceeded.

- Wage negotiations

The Agency concluded a multi-term agreement with organised labour ending in the 2015/16 financial year. This will enable organised labour and Management to focus on other HR management priorities.

- Talent Management and Rewards Strategies

The Talent Management Strategy and employee value proposition were approved during the year under review. The Rewards Strategy and Policy was finalised.

2. Human Resource Oversight Statistics

Personnel cost by programme

Programme	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a % of Total Expenditure	No. of Employees	Average Personnel Cost Per Employee (R'000)
*Administration	75,384	42,048	56%	50	841
Facilitation and Industry Development	11,829	7,370	62%	12	614
Road Transport Inspectorate	72,778	51,009	70%	133	383
Regulatory and Legal Services	21,335	15,742	74%	43	366
Strategic Support	5,937	2,020	34%	15	134
Total	187,264	118,190	63%	253	467

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

Personnel cost by salary band

Programme	Personnel Expenditure (R'000)	% of Personnel Expenditure to Total Personnel Cost	No. of Employees	Average Personnel Cost per Employee (R'000)
*Board of Directors	1,037	0.8%	8	130
Top Management	10,214	8.6%	8	1,277
Senior Management	12,410	10.5%	15	827
Professional qualified	28,461	24%	38	749
Skilled	61,459	52%	200	307
Semi-skilled	4,137	3.5%	31	133
Unskilled	473	0.4%	9	53
Total	*118,190	100%	301	393

** The total number includes Board of Directors, fixed-term contractors, temps and interns*

Performance rewards

Programme	Performance Rewards	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel Cost
Top Management	N/A	N/A	N/A
Senior Management	N/A	N/A	N/A
Professional qualified	N/A	N/A	N/A
Skilled	N/A	N/A	N/A
Semi-skilled	N/A	N/A	N/A
Unskilled	N/A	N/A	N/A
Total	N/A	N/A	N/A

Training costs

Directorate/Business Unit	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of Employees Trained	Average Training Cost per Employee (R'000)
Administration	42,048	2,146	5%	66	3,252
Facilitation and Industry Development	7,370	499	7%	15	3,327
Road Transport Inspectorate	51,009	504	1%	161	313
Regulatory and Legal Services	15,742	155	1%	32	484
Strategic Support	2,020	70	3%	12	583
Total	118,190	3,369	3%	286	1,178

Employment and vacancies

Programme	2012/13 No. of Employees	2013/14 Approved Posts	2013/14 No. of Employees	2013/14 Vacancies	% of Vacancies
Administration	46	64	50	14	22%
Facilitation and Industry Development	12	24	12	12	50%
Road Transport Inspectorate	133	180	133	26	14%
Regulatory and Legal Services	39	43	43	0	0
Strategic Support	13	30	15	15	50%
Total	243	341	253	67	20%

Programme	2012/13 No. of Employees	2013/14 Approved Posts	2013/14 No. of Employees	2013/14 Vacancies	% of Vacancies
Top Management	7	8	8	0	-
Senior Management	14	16	15	1	6%
Professional qualified	30	49	34	15	31%
Skilled	188	264	192	*51	19%
Semi-skilled	1	1	1	0	-
Unskilled	3	3	3	0	-
Total	243	341	253	67	20%

** The number excludes 21 trainee inspectors appointed against permanent vacancies*

Employment changes

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of the Period
Top Management	7	2	1	8
Senior Management	14	3	2	15
Professional qualified	30	4	0	34
Skilled	188	9	5	192
Semi-skilled	1	0	0	1
Unskilled	3	0	0	3
Total	243	18	8	253

** Fixed-term contractors, temps and interns excluded*

Reasons for staff leaving

Reason	Number	% of Total No. of Staff Leaving
Death	2	0.79%
Resignation	*8	3.2%
Dismissal	2	0.79%
Retirement	0	0
Ill-health	0	0
Expiry of contract	*18	7.1%
Other	0	0
Total	30	12%

** Fixed-term contractors, temps and interns excluded*

Labour relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal Warning	0
Written Warning	5
Final Written Warning	3
Dismissal	2

Equity target and employment equity status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	5	0	1	0	0	0	0	0
Senior Management	6	0	1	0	0	0	1	0
Professional qualified	15	0	0	0	3	0	1	0
Skilled	74	2	4	3	1	2	12	0
Semi-skilled	0	0	0	0	1	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	100	2	6	3	4	2	14	0

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	0	0	0	0	0	0	0
Senior Management	5	0	0	0	2	0	0	0
Professional qualified	11	1	2	0	1	0	1	0
Skilled	90	4	3	4	1	2	7	1
Semi-skilled	1	0		0		0		0
Unskilled	3	0	0	0	0	0	0	0
Total	112	5	5	4	4	2	8	1

Levels	Disabled staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	1	0	0
Skilled	1	0	1	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Total	1	1	1	0

PART E: FINANCIAL INFORMATION

Index

The reports and statements set out below comprise the Annual Financial Statements presented to the parliament:

The following supplementary information does not form part of the Annual Financial Statements and is unaudited:

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 Agency as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and were 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 places 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 infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Accounting Authority has reviewed the Agency's Cash Flow Forecast for the year to 31 March 2015 and, in the light of this review and the current financial position, it is satisfied that the Agency 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.

Although the Accounting Authority is primarily responsible for the financial affairs of the Agency, it is supported by the Agency's external auditors.

The 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 the Auditor-General report is presented on page 65.

The Annual Financial Statements set out on pages 67 to 97, which have been prepared on the going concern basis, were approved by the Board on 25 July 2014 and were signed on its behalf by:

Ms MMD Nkomo
Acting Chairperson
Pretoria
25 July 2014

Mr SG Khumalo
Chief Executive Officer
Pretoria
25 July 2014

Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2014.

Audit and Risk Committee Members and Attendance

The Audit and Risk Committee consists of the members listed hereunder and should meet at least four (4) times per annum as per its approved Terms of Reference. During the year under review, five (5) meetings were held. The attendance record of the members is as detailed below. Apologies were tendered for meetings not attended. Prof. Thwala and Adv. Letele were appointed during the year, whilst Ms S Singh retired during the financial year.

Audit and Risk Committee Attendance						
Member	23/04/2013	25/05/2013	19/07/2013	18/10/2013	21/01/2014	Total attendance
Mr N Mhlongo (Chairperson)	✓	✓	✓	✓	✓	5
Ms N Nakene	✓	✓	✓	✓	×	4
Ms S Singh	✓	×	✓	o	o	2
Ms P Mzizi	✓	✓	✓	✓	✓	5
Prof. D Thwala	–	–	–	×	✓	1
Adv. S Letele	–	–	–	✓	×	1

✓ Present at the meeting
× Absent with apology
– Not yet appointed as a committee member
o No longer a committee member

Audit and Risk Committee Responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from sections 51 and 55 of the PFMA and Treasury Regulations' paragraph 27.1.10. The Audit and Risk Committee also reports that it has adopted appropriate formal Terms of Reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities including the following:

- Oversight over Internal Audit;
- Oversight over External Audit;
- Review of Annual Financial Statements;
- Oversight over financial and legal compliance; and
- Risk Management.

The Effectiveness of Internal Control

In carrying out its mandate, which is conferred by its Terms of Reference and section 27.1.8 of the Treasury Regulations, the Committee confirms that the system of internal controls applied by the Agency over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements, and the Management Report of the Auditor-General of South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

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

Evaluation of Annual Financial Statements

The Audit and Risk Committee has:

- reviewed and discussed the audited Annual Financial Statements, included in the annual report, with the Auditor-General and the Board;
- reviewed the Auditor-General of South Africa's Management Report and management's response thereto;
- reviewed the Agency's compliance with legal and regulatory provisions.

The Audit and Risk Committee concurs with and accepts the AGSA's report on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the AGSA.

Risk Management

The Committee notes and appreciates the establishment of the Risk Management Unit in the last financial year. Progress has been made in the administration and review of risk registers, and approval of relevant policies. However, there is a need to focus on the requirements of the IT Governance Framework, Business Continuity Plans and related IT policies and the smooth functioning of the IT Steering Committee.

Internal Audit

The Audit and Risk 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 list constitutes some of the internal audit work that was completed during the year under review;

- Audit of performance against predetermined objectives;
- Non-current assets management;
- Human resources, payroll and leave management;
- Supply chain management;
- Financial discipline review;
- Information technology review.

Auditor-General of South Africa

The Audit and Risk Committee has reviewed the Agency's implementation plan for audit issues raised in the prior year and is satisfied that the matters have been adequately resolved.

The Audit and Risk Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.

Mr N Mhlongo
Chairperson of the Audit and Risk Committee
25 July 2014

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON CROSS-BORDER ROAD TRANSPORT AGENCY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Cross-Border Road Transport Agency set out on pages 67 to 97 which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets ,and the cash flow statements and statement of comparison of budget information with actual information for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa,1999 (Act No.1 of 1999) (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.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. 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 2014 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

Emphasis of matter

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

Funding of operations

8. With reference to note 24 in the financial statements court action was instituted against the entity by cross-border hauliers, challenging the new fees for cross-border road transport permits, which was effective from 1 April 2011. The outcome of this court action might have an impact on CBRTA's ability to generate the budgeted revenue levels.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2014:
    - Programme 2: Facilitation and Industry development. on pages 34 to 36
    - Programme 3: Road transport inspectorate on pages 37 to 39
    - Programme 4: Regulatory and legal services on pages 40 to 43
    - Programme 5: Strategic support on pages 44 to 46
11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
12. I evaluated the usefulness of the reported performance information to determine whether it was presented in

accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. The material findings in respect of the selected programmes are as follows:

Usefulness of reported performance information

Strategic Support

15. Performance indicators must be verifiable, meaning that it must be possible to validate the processes and systems that produced the indicator. A total of 50% of the indicators and targets are not verifiable. This was because there was inadequate review performed on the annual performance plan.

Reliability of reported performance information

Road Transport Inspectorate and Strategic Support

16. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid and accurate reporting of actual achievements against planned objectives, indicators and targets. Significantly important targets were not reliable when compared to the source information and evidence provided. This was due to the fact that there was inadequate reviews by the responsible executives on the evidence submitted against the reported targets.

Additional matter

17. I draw attention to the following matter:

Achievement of planned targets

18. Refer to the annual performance report on page 21 to 46 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected programmes reported in paragraphs 15 and 16 of this report.

Compliance with legislation

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

Expenditure management

20. The accounting authority did not take effective and appropriate steps to prevent irregular expenditure, as per the requirements of section 51 (b)(ii) of the PFMA.

Internal control

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

Leadership

22. The accounting authority did not ensure that there were adequate reviews by the responsible executives on the evidence submitted against the reported targets and the annual performance plan.
23. The contract management process was ineffective in the prior year which resulted in the entity making payments on expired contracts. Irregular expenditure was consequently incurred.

Financial and performance management

24. Due care was not exercised by the officials responsible for compiling and reviewing the annual performance report to ensure that sufficient and appropriate evidence supporting achievement of targets was in place.

OTHER REPORTS

Investigations

25. An investigation has been conducted regarding permits which are possibly fraudulently issued.

Auditor - General

Auditor-General
Pretoria
31 July 2014

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Statement of Financial Position as at 31 March 2014

	Notes	2014 R	2013 R
Assets			
Current assets			
Receivables from exchange transactions	6	954,283	574,238
Other receivables from non-exchange transactions	7	2,959,617	3,232,620
Cash and cash equivalents	8	120,308,251	125,462,585
		124,222,151	**129,269,443**
Non-current assets			
Property, plant and equipment	3	7,971,345	8,268,307
Intangible assets	4	1,668,228	1,145,517
		9,639,573	**9,413,824**
Total assets		**133,861,724**	**138,683,267**
Liabilities			
Current liabilities			
Operating lease liability		520,733	682,258
Payables from exchange transactions	10	14,639,073	15,414,980
Other payables (non-exchange)	11	40,820,744	2,780,059
Provisions	9	13,746,066	9,063,825
		69,726,616	**27,941,122**
Non-current liabilities			
Retirement benefit obligation	5	1,555,000	1,646,000
Total liabilities		**71,281,616**	**29,587,122**
Net assets		**62,580,108**	**109,096,145**
Net assets			
Accumulated surplus		**62,580,108**	**109,096,145**

Statement of Financial Performance as at 31 March 2014

	Notes	2014 R	2013 R
Revenue	12	131,508,991	185,930,200
Other income	13	3,328,981	2,400,295
Operating expenses		(187,190,086)	(158,584,505)
Operating (deficit) surplus	15	**(52,352,114)**	**29,745,990**
Interest received	18	5,977,300	4,922,505
Finance costs	19	(141,224)	(170,689)
(Deficit) Surplus for the year		**(46,516,038)**	**34,497,806**

Statement of Changes in Net Assets as at 31 March 2014

	Accumulated Surplus R	Total Net Assets R
Balance at 01 April 2012	**74,598,339**	**74,598,339**
Changes in net assets	34,497,806	34,497,806
Surplus for the year	34,497,806	34,497,806
Total changes	34,497,806	34,497,806
Balance at 01 April 2013	**109,096,146**	**109,096,146**
Changes in net assets		
Deficit for the year	(46,516,038)	(46,516,038)
Total changes	(46,516,038)	(46,516,038)
Balance at 31 March 2014	**62,580,108**	**62,580,108**

Cash Flow Statement as at 31 March 2014

	Notes	2014 R	2013 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		132,473,799	186,966,280
Permit income refundable		37,365,720	-
		169,839,519	186,966,280
Payments			
Employee costs		(113,066,572)	(96,022,187)
Suppliers		(62,894,256)	(50,665,271)
Interest paid		(2,224)	(11,689)
		(175,963,052)	(146,699,147)
Net cash flows from operating activities	22	**(6,123,533)**	**(40,267,133)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(3,830,185)	(3,892,565)
Purchase of other intangible assets	4	(1,177,914)	(485,725)
Interest income		5,977,300	4,922,505
Net cash flows from investing activities		**969,201**	**544,215**
Net increase/(decrease) in cash and cash equivalents		**(5,154,332)**	**40,811,348**
Cash and cash equivalents at the beginning of the year		125,462,585	84,651,237
Cash and cash equivalents at the end of the year	8	**120,308,253**	**125,462,585**

Detailed Statement of Comparison of Actual and Budgeted Amounts as at 31 March 2014

	Actual	Budget	Variance	Comment reference
Income and Operating expenditure				
Permit revenue and general items	97,379,776	160,903,021	(63,523,245)	Comment (a)
Penalty revenue	35,052,800	20,865,900	14,186,900	Comment (b)
Finance adjustments and other income	2,316,396	-	2,316,396	
Interest received	5,977,300	4,000,000	1,977,300	Comment (c)
Actuarial gains	89,000	-	89,000	
Gross remuneration	100,943,562)	101,498,076)	554,514	Comment (d)
UIF	(514,826)	(560,001)	45,175	Comment (d)
13th cheque savings	(4,630,543)	(5,714,296)	1,083,753	Comment (d)
Directors' costs	(1,235,634)	(1,812,693)	577,059	
Medical costs	(3,966,211)	(5,280,010)	1,313,798	Comment (d)
Training and development	(3,368,932)	(3,559,844)	190,912	
Fixed travel allowances	(4,627,563)	(4,261,000)	(366,563)	Comment (d)
Other staff-related costs	(2,271,273)	(488,000)	(1,783,273)	Comment (d)
Impairment of receivables	(1,125,910)	-	(1,125,910)	Comment (e)
Printing and stationery	(2,341,096)	(2,363,254)	22,158	
Consulting costs	(9,808,691)	(13,192,414)	3,383,723	Comment (f)
Legal fees	(1,161,063)	(2,700,000)	1,538,937	Comment (f)
Travel and accommodation	(20,888,786)	(10,824,394)	(10,064,392)	Comment (g)
Vehicle leasing costs	-	(5,000,000)	5,000,000	Comment (g)
Advertising, marketing and rebranding	(1,092,486)	(2,304,202)	1,211,716	
Insurance	(214,950)	(220,000)	5,050	
Internal audit	(1,196,104)	(1,200,000)	3,895	
External audit	(2,132,908)	(2,150,214)	17,306	
Cellphones	(2,831,056)	(1,167,655)	(1,663,401)	
Telephones and courier	(1,265,188)	(1,999,600)	734,412	
IT expenses	(2,257,190)	(2,000,000)	(257,190)	
Security	(269,664)	(658,042)	388,378	Comment (k)
Operating leases	(6,380,171)	(5,110,000)	(1,270,171)	Comment (j)
Water and electricity	(573,342)	(682,001)	108,659	
Bank charges	(1,146,015)	(1,120,003)	(26,013)	
Other operating costs	(4,180,301)	(1,907,096)	(2,273,203)	
Entertainment and staff welfare	(904,584)	(1,587,700)	683,115	
Team building	(273,987)	(1,575,512)	1,301,527	Comment (h)
Subscriptions and publications	(746,892)	(1,315,594)	568,702	
Repairs and maintenance	(126,400)	(1,110,000)	983,600	
Interest expense	(141,224)	-	(141,224)	
Depreciation and amortisation	(4,714,758)	(2,407,320)	(2,307,438)	Comment (i)
	(46,516,038)	**-**	**(46,516,038)**	
Capital expenditure				
Property, plant and equipment	(3,830,185)	(5,835,000)	2,004,815	Comment (l)
Intangible assets	(1,177,914)	(14,165,000)	12,987,086	Comment (l)
	(5,008,099)	**(20,000,000)**	**14,991,901**	

Detailed Statement of Comparison of Actual and Budgeted Amounts

a) Permit Revenue:

The Agency reversed its tariffs to 2003 rates as a result of a court judgement effective 14 August 2013. The lower rates resulted in underperformance against the budgets and projections during the second half. Despite the higher number of permits issued and the suspension of five-year permits, the Agency could not meet its budgeted revenue targets.

b) Penalty Revenue:

Increased resources for enforcement, high impact road-blocks and visibility resulted in penalty revenue collection exceeding the budget. Both the number of inspections and the number of prosecutions were higher than target.

c) Interest Received:

Interest income was in line with a better cash and cash equivalents position which has improved from the target balances. Whilst an interest rate of 4% was budgeted, the actual interest return for money market investments yielded an average of 5% per anum. The investments are low risk call accounts.

d) Staff Costs (Made Up of Gross Remuneration, 13th Cheque Savings, Medical Costs, UIF and Other Staff Related Costs):

Overall, R1,4 million was saved on staff overheads, due to savings realised on performance bonuses; funded positions that were not filled at the beginning of the year; and reduced expenditure on employee medical costs.

e) Impairment of Receivables:

Impairments were not budgeted for, however the Agency had to provide for impaired assets after careful assessment and individual asset consideration in line with its policies. There were delays on court remittences that necessitated providing for receivables as doubtful.

f) Consulting Costs and Legal Fees:

The amount for consulting fees and professional services is made up of payments for fraud and corruption investigations, drafting of the business case on border management and other human resources related matters. There were savings as some projects are still to be concluded hence disclosed as commitments. Legal fee savings were realised due to the use of the State Attorney.

g) Travel, Accommodation and Vehicle Leasing:

The vehicle lease agreement did not materialise during the financial year, hence the bill for travel claims remained high. The savings realised on the leasing line item were utilised to compensate for travel.

h) Team Building:

The savings of R1,3 million for team building was a result of the Agency complying with the National Treasury instruction 01 of 2013/14 which prohibits such discretionary expenditure with effect from December 2013.

i) Depreciation and Amortisation:

This was significantly above the budgeted amount. The budget estimates were understated.

j) Operating Leases:

Additional space was occupied during the year for Head Office staff as well as Regional Offices. This resulted in actual rental expenditure incurred being above budget.

k) Security:

The Agency changed security arrangements after the budget period, realising some savings from the efficiencies that were introduced.

l) Capital Expenditure:

Delays in the implementation of the new permit issuance system, as well as the construction of a new website, resulted in under-expenditure of the capital budget.

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) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 55(1)(b) of the PFMA, as amended by Act 29 of 1999. Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP. 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.

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These Annual Financial Statements were prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

Current year comparatives (Budget)

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these Annual Financial Statements.

Impairments of non-financial assets

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

Trade and other receivables

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

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

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.

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.

Leases

Finance Leases: Leases where the Agency assumes substantially all the benefits and risks of ownership, are classified as finance leases. These are capitalised as property, plant and equipment at the lower of fair value and the present value of the minimum lease payments at the inception of the lease, with an equivalent amount being stated as a finance lease liability as part of debt. The capitalised amount is depreciated over the asset's useful life. Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method. The land and buildings elements of a lease are considered separately for the purposes of lease classification.

Operating Leases: Leases of assets under which all risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are charged to the statement of financial performance over the lease term on a straight-line basis.

Provision

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.

Recognition of penalty income

The recognition of penalty income is based on all information available to management at the reporting date.

Defined benefit obligations

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

Fair value

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

Use of estimates and judgements

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

Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

Estimates

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

Prior year comparatives

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

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made 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.

The presentation and classification of items in the current year are consistent with prior periods.

The principal accounting policies, applied in the preparation of these Annual Financial Statements, are set out below.

These accounting policies are consistent with those applied in the preparation of the prior year Annual Financial Statements, unless specified otherwise. These Annual Financial Statements are presented in South African Rand, which is the functional currency of the Agency and the amounts have been rounded off to the nearest Rand.

1.1 Property, plant and equipment

Property, plant and equipment are tangible non-current 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 at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

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

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

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

Major spare parts and stand-by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand-by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Depreciation commences when the asset is ready for intended use.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

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

Item	Average useful life
Furniture and fixtures	5 - 12 years
Motor vehicles	4 - 5 years
Office equipment	5 - 12 years
IT equipment	3 - 9 years
Leasehold improvements	3 - 5 years (lease period)
Minor plant	10 years
Signage	10 - 15 years

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

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

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

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

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

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

1.2 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights or other legal rights, regardless of whether those rights are transferable or separate from the Agency or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost. Cost includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing an asset for its intended use. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the economic benefits embodied in the specific asset to which it relates and the costs can be measured reliably. All other expenditure is expensed as incurred.

Where an intangible asset is acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition. Amortisation commences when the asset is ready for its intended use.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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.

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

Item	Useful life
Computer software	1 - 12 years

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial performance. The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.3 Financial instruments

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

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

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.

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 Agency.

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

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

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

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

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

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

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

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

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

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
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

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
Other payables (non-exchange transactions)	Financial liability measured at fair value

Initial recognition

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

The Agency recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The Agency measures a financial asset and financial liability initially at its fair value (if subsequently measured at fair value).

The Agency first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the Agency analyses a concessionary loan into its component parts and accounts for each component separately. The Agency accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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, the 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:

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

Where the Agency cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

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

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The 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 through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Financial assets measured at cost:

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

Presentation

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

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

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

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

Receivables from non-exchange transactions

Trade receivables are measured at initial recognition at fair value, and 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, probability that a debtor will enter bankruptcy or deliquency in payments (more than 90 days overdue) are considered indicators a trade receivable is impaired. When a trade receivable is uncollectable, it is written off against the allowance account to 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.

1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. When a lease includes both land and buildings elements, the Agency assesses the classification of each element separately.

Finance leases - lessee

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

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

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

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

Operating leases - 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.

1.5 Inventories

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

1.6 Impairment of Cash-Generating Assets

Cash-generating assets are those assets held by the Agency with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

A cash-generating unit is the smallest identifiable group of assets held with the primary 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.

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

Useful life is either:

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

1.7 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 entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the 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 to future employment.

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

Post-employment benefits

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

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

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Agency pays fixed contributions into a separate entity (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 recognises 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.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the Agency recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.
Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

The Agency accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the Agency's informal practices. Informal practices give rise to a constructive obligation where the Agency has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the Agency's informal practices would cause unacceptable damage to its relationship with employees.

The amount determined as a defined benefit liability may be negative (an asset). The Agency measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The Agency determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the Annual Financial Statements do not differ materially from the amounts that would be determined at the reporting date.

The Agency recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The Agency uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The Agency recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect 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 post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.8 Provisions and Contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when the Agency:

- 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 Agency 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.

1.9 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 Agency 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.

Courier and priority mail

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

Measurement

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

Interest received

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

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

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

Service fees or administrative fees are recognised as revenue over the period during which the service is performed.

1.10 Revenue from Non-Exchange Transactions

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the Agency 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).

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

Penalty revenue
Penalties are economic benefits received by entities/Agencies as determined by a court or other law enforcement body as a consequence of the breach of laws or regulations. Revenue from penalty income is recognised when a J14 (or an admission of guilt) is issued by the relevant court.

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 Agency.

When, as a result of a non-exchange transaction, the Agency 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 Agency and the fair value of the assets can be measured reliably.

1.11 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the Agency on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- Expenditures for the asset have been incurred;
- Borrowing costs have been incurred; and
- Activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.6.

When the Agency completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.12 Comparative Figures

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

1.13 Unauthorised Expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised 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.

1.14 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.

1.15 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 required with the exception of updating the Note to the Financial Statements.

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

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

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

1.16 Conditional Grants, Donations and Other Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Agency has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

1.17 Research and Development Expenditure

Research costs are charged against operating surplus as incurred. Development costs are recognised as an expense in the period in which they are incurred unless the following criteria are met:

- The product or process is clearly defined and the costs attributable to the process or product can be separately identified and measured reliably;
- The technical feasibility of the product or process can be demonstrated;

- The existence of a market or, if to be used internally rather than sold, its usefulness to the Agency can be demonstrated;
- Adequate resources exist, or their availability can be demonstrated, to complete the project and then market or use the product or process; and
- The asset must be separately identifiable.

Where development costs are deferred, they are written off on a straight-line basis over the life of the process or product, subject to a maximum of five years. The amortisation begins from the commencement of the commercial production of the product or use of the process to which they relate.

1.18 Budget Information

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

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

The Statement of Comparative Budget and Actual Information (reconciliation) has been included in the Annual Financial Statements as the recommended disclosure when the Annual Financial Statements and the budget are on the same basis of accounting as determined by National Treasury. Refer to note 32. Further detailed comparison between the actual revenue and expenditure is provided on the note.

1.19 Related Parties

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

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

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

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

1.20 Events After the Reporting Date

Monetory and non-monetary transactions with a significant impact on the performance, position or functioning of the Agency after the reporting date are brought to the attention of users of the Financial Statements.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

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

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

Standard/Interpretation	Adoption/Effective date: Years beginning on or after	Comment
GRAP 20: Related parties	01 April 2013	Approved but not effective (adopted)
GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	Improvements
GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	Improvements
GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	Improvements
GRAP 13 (as revised 2012): Leases	01 April 2013	Improvements
GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	Replacement
GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	Replacement
IGRAP16: Intangible assets website costs	01 April 2013	Interpretation
GRAP 25: Employee benefits	01 April 2013	Approved and effective

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 and may be or may not be relevant to the Agency's accounting periods beginning on or after 01 April 2014 or later periods:

Standard/Interpretation	Effective date: Years beginning on or after
GRAP 105: Transfers of functions between entities under common control	01 April 2014
GRAP 106: Transfers of functions between entities not under	01 April 2014
GRAP 107: Mergers	01 April 2014
IGRAP 11: Consolidation – Special purpose entities	01 April 2014
IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014
GRAP 7 (as revised 2010): Investments in Associates	01 April 2014
GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014

3. Property, Plant and Equipment

	2014 Cost/Valuation	2014 Accumulated depreciation and accumulated impairment	2014 Carrying value	2013 Cost/Valuation	2013 Accumulated depreciation and accumulated impairment	2013 Carrying value
Furniture and fixtures	3,648,708	(819,061)	2,829,647	2,471,519	(484,408)	1,987,111
Office equipment	1,255,085	(784,648)	470,437	1,158,703	(564,871)	593,832
Computer equipment	6,218,926	(3,392,670)	2,826,256	4,358,846	(1,989,522)	2,369,324
Leasehold improvements	6,215,985	(4,734,532)	1,481,453	5,804,415	(2,949,571)	2,854,844
Motor vehicles	472,265	(173,536)	298,729	472,265	(79,083)	393,182
Signage	79,475	(14,652)	64,823	79,475	(9,461)	70,014
Total	**17,890,444**	**(9,919,099)**	**7,971,345**	**14,345,223**	**(6,076,916)**	**8,268,307**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Furniture and fixtures	1,987,111	1,181,490	(1,802)	(337,152)	-	**2,829,647**
Office equipment	593,832	96,883	-	(220,216)	(62)	**470,437**
Computer equipment	2,369,324	2,140,242	(65,792)	(1,609,256)	(8,262)	**2,826,256**
Leasehold improvements	2,854,844	411,570	-	(1,784,961)	-	**1,481,453**
Motor vehicles	393,182	-	-	(94,453)	-	**298,729**
Signage	70,014	-	-	(5,191)	-	**64,823**
	8,268,307	**3,830,185**	**(67,594)**	**(4,051,229)**	**(8,324)**	**7,971,345**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1,688,612	530,574	(4,064)	(228,011)	**1,987,111**
Office equipment	475,853	326,803	-	(208,824)	**593,832**
Computer equipment	2,459,311	1,198,347	(68,513)	(1,219,821)	**2,369,324**
Leasehold improvements	2,885,493	1,341,174	-	(1,371,823)	**2,854,844**
Motor vehicles	12,794	472,267	(12,035)	(79,844)	**393,182**
Signage	50,336	23,400	-	(3,722)	**70,014**
	7,572,399	**3,892,565**	**(84,612)**	**(3,112,045)**	**8,268,307**

4. Intangible Assets

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	4,225,529	(2,557,301)	1,668,228	3,047,615	(1,902,098)	1,145,517

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	1,145,517	1,177,914	(655,203)	**1,668,228**

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	1,077,205	485,725	(417,413)	**1,145,517**

5. Employee Benefit Obligations

Defined benefit plan

The plan is a post-employment medical benefit plan.

The defined benefit plan, to which 12 members (2013: 12 members) belong, consists of the Government Employee Medical Scheme and Medi-Help. The Agency's obligation is limited to a monthly contribution of R1,014 per person per month.

The actuarial valuation determined that the retirement plan was in a sound financial position.

	2014 R	2013 R
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation – wholly unfunded	(268,000)	(277,000)
Present value of the defined benefit obligation – partially or wholly funded	(1,287,000)	(1,369,000)
	(1,555,000)	**(1,646,000)**
The fair value of plan assets include:		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	(1,646,000)	(1,882,000)
Benefits paid	146,000	146,000
Net expense recognised in the Statement of Financial Performance	(55,000)	90,000
	(1,555,000)	**(1,646,000)**
Net expense recognised in the Statement of Financial Performance		
Current service cost	(5,000)	(7,000)
Interest cost	(139,000)	(159,000)
Actuarial gains	89,000	256,000
	(55,000)	**90,000**
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	9.18 %	8.41 %
Medical cost trend rates	10.02 %	9.63 %
Expected increase in salaries	7.02 %	6.63 %

The basis on which the discount rate has been determined is as follows:

Defined contribution plan

It is the policy of the Agency to provide retirement benefits to all its permanent employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act (Number 11) of 2007 exist for this purpose.

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

6. Receivables from Exchange Transactions

	2014 R	2013 R
Deposits and prepayment	954,283	574,238

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

Credit quality of trade and other receivables

The credit quality of trade debtors and other receivables that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade and other receivables impaired

As of 31 March 2014, trade and other receivables of R1,125,910 (2013: R616, 870) were impaired and provided for due to failure by some courts and other debtors to remit money due to the Agency on time. An amount of R35,331 (2013: R140,000) was written off. An amount of R364,000 provided for in 2013 is still outstanding though negotiations are at an advanced stage for payment.

The debtors were outstanding for more than 12 months.

Reconciliation of provision for impairment of trade and other non-exchange receivables

	2014 R	2013 R
Opening balance	512,700	35,330
Provision for impairment	1,125,910	616,870
Amounts written off as uncollectible	(35,330)	(139,500)
	1,603,280	**512,700**

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering the additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan/debt mentioned above. The Agency does not hold any collateral as security.

7. Other Receivables from Non-Exchange Transactions

	2014 R	2013 R
Penalty revenue	4,145,500	3,345,470
Other receivables	366,580	364,520
Employee related receivables	50,817	35,331
Provision for impairment	(1,603,280)	(512,701)
	2,959,617	**3,232,620**

8. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2014 R	2013 R
Cash on hand	20,000	20,000
Bank balances	16,551,787	19,420,444
Short-term deposits	103,736,464	106,022,141
	120,308,251	**125,462,585**

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

9. Provisions

Reconciliation of provisions - 2014

	Opening balance	Additions	Total
Provision for staff bonuses	9,063,825	4,682,241	**13,746,066**

Reconciliation of provisions - 2013

	Opening balance	Additions	Utilised during the year	Total
Provision for staff performance bonuses	6,198,769	6,734,949	(3,869,893)	**9,063,825**

The staff performance bonus provision was estimated at a maximum of 10% of gross basic remuneration. R5,4 million relates to the prior financial year payable in April 2014.

10. Payables from Exchange Transactions

	2014 R	2013 R
Trade payables	5,362,810	6,579,518
Voluntary employee deductions	-	18,397
Accrued leave pay	5,510,954	4,665,904
Accrued bonus	1,167,408	1,179,791
Workman's Compensation accrual	625,794	256,059
Other accrued expenses	124,934	101,295
Statutory liabilities	1,847,173	2,614,016
	14,639,073	**15,414,980**

11. Other Payables (Non-Exchange)

	2014 R	2013 R
Contributions/Sponsorships payable	500,000	-
Permit fees repayable and advance payments	40,320,744	2,780,059
	40,820,744	**2,780,059**

Included in the permit fees repayable amount is a financial liability with a fair value of R37 million that has been discounted and estimated to have a present value of R35 million as at 31 March 2014.

12. Revenue

	2014 R	2013 R
Penalty revenue	35,052,800	19,995,790
Permit issue fees	73,226,860	125,849,815
Permit application fees	23,229,331	40,084,595
	131,508,991	**185,930,200**
The amount included in revenue arising from non-exchange permit issuance transactions is as follows:		
Permit issue fees	73,226,860	125,849,815
Permit application fees	23,229,331	40,084,595
	96,456,191	**165,934,410**
The amount included in revenue arising from non-exchange penalty transactions is as follows:		
Penalty revenue	35,052,800	19,995,790

13. Other Income

	2014 R	2013 R
Postage, administrative and general item charges	1,071,850	2,124,295
Donations received	-	20,000
Actuarial gains	89,000	256,000
Fair value adjustments	2,168,131	-
	3,328,981	**2,400,295**

14. General Expenses

	2014 R	2013 R
Advertising, marketing and branding	1,092,486	662,683
Auditors remuneration	3,329,013	2,920,105
Bank charges	1,146,025	1,142,979
Cleaning and office supplies	401,067	276,843
Consulting and professional fees	11,065,724	7,954,758
Entertainment and staff welfare	904,584	764,746
Corporate gifts	374,048	210,332
Insurance	214,950	106,100
Conferences and seminars	947,570	1,724,122
IT expenses	2,257,190	1,873,147
Lease rentals on operating lease	6,380,171	4,279,198
Resource materials, magazines, books and periodicals	51,721	177,482
Motor vehicle expenses	4,370	-
Placement fees	634,176	1,313,917
Printing and stationery	2,341,096	1,632,064
Security	269,664	530,685
Staff welfare	393,000	279,218
Subscriptions and membership fees	746,892	862,931
Telephones, cellphones and faxes	4,096,244	3,669,678
Training and development	3,368,932	1,548,352
Travel and accommodation expenses	21,857,838	19,986,140
Small tools	40,205	91,817
Electricity and water	573,342	423,500
Uniforms	281,044	636,614
	62,771,352	**53,067,411**

The amount for consulting fees and professional services is made up of payments for fraud, irregularity and corruption investigations, legal services as well as development of the business case on border modernisation and development of market access regulations.

15. Operating (Deficit) Surplus

Operating surplus (deficit) for the year is stated after accounting for the following:

	2014 R	2013 R
Operating lease charges		
Premises		
Contractual amounts	6,380,171	4,279,198
		276,843
Loss on sale/disposal of property, plant and equipment	(67,594)	(84,612)
Amortisation on intangible assets	655,203	417,413
Depreciation on property, plant and equipment	4,059,555	3,112,045
Employee costs	118,189,614	101,004,140

16. Employee Related Costs

	2014 R	2013 R
Basic salaries	84,696,376	65,563,427
Performance bonus	4,682,241	6,734,949
Medical aid – company contributions	3,966,212	3,314,809
Unemployment Insurance Fund	514,826	397,671
Workman's Compensation	369,735	658,041
Temp salaries	339,356	-
Leave pay provision charge	1,100,461	1,595,434
Pension and Provident Fund contribution	12,430,844	10,347,237
Long-service awards	460,129	248,289
13^{th} Cheques	4,630,543	4,426,724
Car allowance	4,627,563	7,420,344
Danger allowance	289,880	234,391
Night shift allowance	81,448	62,824
	118,189,614	**101,004,140**

17. Debt Impairment

	2014 R	2013 R
Debt impairment	1,125,910	616,870

Impairment amount is made up of provisions for long outstanding court remittences due to the Agency.

18. Investment Revenue

	2014 R	2013 R
Interest revenue		
Bank	5,977,300	4,922,505

The Agency has money market investments yielding an average of 5% (2013: 5%) per annum.

19. Interest Expense

	2014 R	2013 R
Trade and other payables	2,224	11,689
Finance costs	139,000	159,000
	141,224	**170,689**

20. Auditors' Remuneration

	2014 R	2013 R
External audit	2,132,908	2,531,654
Internal audit	1,196,105	388,451
	3,329,013	**2,920,105**

21. Operating Lease

The Agency is a party to operating lease agreements with Erf 49 Menlyn (Proprietary) Limited for periods between 13 months and and five years commencing 01 February 2010 and terminating on 31 January 2015. The leases are for buildings one, three, four and five, Glen Manor Office Park, 138 Frikkie de Beer Street, Menlyn, Pretoria as well as some regional offices. The leases' significant leasing arrangements include:

- The leases shall escalate annually on 01 February of each year by 9%; and
- The Agency has renewal options and there are no restrictions imposed on the leases.

The Agency also has an operating lease for some photocopiers as well as the PABX system.

22. Cash (Used In) Generated from Operations

	2014 R	2013 R
(Deficit) surplus	(46,516,038)	34,497,806
Adjustments for:		
Depreciation and amortisation	4,714,758	3,529,458
Loss on sale of assets and liabilities	67,594	84,612
Interest income	(5,977,300)	(4,922,505)
Debt impairment	1,125,910	616,870
Movements in operating lease assets and accruals	(161,525)	(73,518)
Movements in retirement benefit assets and liabilities	(91,000)	(236,000)
Movements in provisions	4,682,241	2,865,056
Changes in working capital:		
Receivables from exchange transactions	(380,045)	82,015
Other receivables from non-exchange transactions	273,003	(1,187,230)
Increase in impairments	(1,125,910)	(616,870)
Payables from exchange transactions	(775,906)	5,822,842
Taxes and transfers payable (non-exchange)	38,040,685	(195,403)
	(6,123,533)	**40,267,133**

23. Commitments

Authorised capital expenditure

	2014 R	2013 R
Already contracted for but not provided for		
Property, plant and equipment	2,695,665	428,798

This committed expenditure relates to plant and equipment and will be financed by retained surpluses, existing cash resources, and funds internally generated.

Authorised operating expenditure

	2014 R	2013 R
Minimum lease payments due		
- within one year	7,085,110	3,951,849
- in second to fifth year inclusive	1,046,972	3,655,775
	8,132,082	**7,607,624**

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

Commitments have been made to several suppliers of services for current expenditure amounting to R3,371,080 (2013: R7,058,467).

24. Contingencies

There is a pending litigation against the Agency lodged by some Cross Border Transport Operators emanating from the permit tariff increases on 01 April 2011. The litigants allege that the Agency has acted unlawfully, and are seeking reimbursement of additional permit fees they claim to have paid between April 2011 and August 2013. Management cannot objectively and practically estimate the quantum of the claim. The Agency's lawyers and management consider the likelihood of the action against the Agency (refund to Operators) being successful as unlikely. The case should be resolved within the next year.

Other litigations that are on-going against the Agency relate to disputes with Operators emanating from the impoundment of their vehicles. 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 from the Agency.

The Agency's lawyers and management consider the likelihood of the action against the Agency being successful as unlikely, and the case should be resolved within the next 12 months. The Agency intends having the matter struck off the roll.

Certain employees have made claims against the Agency for breach of contract and have made a claim of R51,7 million as compensation. The Agency has filed a notice to oppose. The Agency believes that the chances of the applicants succeeding are unlikely.

25. Related Parties

	2014 R	2013 R
Related party balances		
Amounts included in Trade Payables regarding related parties		
Department of Justice and Constitutional Development	417,297	108,009
Government Printer	137,810	101,348
Road Traffic Infringement Agency (RTIA)	500,000	-
Related party transactions		
Services rendered by other national departments		
Department of Justice and Constitutional Development	995,332	1,455,933
Government Printer	330,703	329,924
Road Traffic Infringement Agency (RTIA)	500,000	-

The Department of Justice provides legal services to the Agency through the State Attorney, whilst the Government Printer supplies sensitive stationery (the prior year comparative amount was not disclosed last year). A sponsorship was made by the Agency for the Road Safety Summit to the RTIA during the year.

26. Key Management Information (Directors' emoluments)

Non-Executive

	Emoluments	Reimbursive expenditure	Total
2014			
Mr M Matete	170,126	11,729	181,855
Ms MMD Nkomo	139,287	6,734	146,021
Mr AN Mhlongo	139,287	18,008	157,295
Ms S Singh (term expired 30 September 2013)	69,644	3,794	73,438
Ms M Nakene	139,287	5,301	144,588
Mr TA Bailey (appointed 01 July 2013)	104,465	6,968	111,433
Ms SC Letele (appointed 01 July 2013)	104,465	3,832	108,297
Prof. WD Thwala (appointed 01 July 2013)	104,465	10,353	114,818
	971,026	**66,719**	**1,037,745**

	Emoluments	Reimbursive expenditure	Total
2013			
Mr M Matete	161,105	13,895	175,000
Ms MMD Nkomo	125,259	7,360	132,619
Mr AN Mhlongo	125,259	20,016	145,275
Ms S Singh	125,259	12,379	137,638
Ms M Nakene	125,259	5,381	130,640
	662,141	**59,031**	**721,172**

Remuneration of Executive Management

	Annual remuneration	Car and other allowances	Total
2014			
Chief Executive Officer	2,070,708	112,516	**2,183,224**
Executive: Road Transport Inspectorate (appointed 01 May 2013)	1,375,000	94,038	**1,469,038**
Executive: Regulatory and Legal Services	1,131,595	112,143	**1,243,738**
Chief Financial Officer	1,077,405	120,456	**1,197,861**
Executive: Corporate Services	1,014,798	31,164	**1,045,962**
Executive: Facilitation and Industry Development	1,071,531	258,959	**1,330,490**
Executive: Corporate Governance (resigned 12 July 2013)	330,937	10,006	**340,943**
Executive: Corporate Governance (appointed 01 February 2014)	209,672	5,389	**215,061**
Executive: Strategic Support	1,134,426	53,077	**1,187,503**
	9,416,072	**797,748**	**10,213,820**

The Agency did not pay performance bonuses during the year. The provision was carried forward, and payments were effected in April 2014.

	Annual remuneration	Performance bonus	Car and other allowances	Variable portion of salary	Total
2013					
Chief Executive Officer	1,917,322	-	83,947	294,866	**2,296,135**
Executive Road Transport Inspectorate	924,936	71,640	49,372	-	**1,045,948**
Executive: Regulatory and Legal Services	927,838	68,252	98,404	-	**1,094,494**
Chief Financial Officer	898,631	11,862	120,666	-	**1,031,159**
Executive: Corporate Services	928,730	65,909	30,238	-	**1,024,877**
Executive: Facilitation and Industry Development (appointed 15 May 2012)	851,128	-	160,192	-	**1,011,320**
Executive: Corporate Governance	877,874	44,388	35,114	-	**957,376**
Executive: Strategic Support (appointed 01 September 2012)	573,461	-	23,614	-	**597,075**
	7,899,920	**262,051**	**601,547**	**294,866**	**9,058,384**

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.

27. Risk Management

Financial risk management

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. The ongoing litigation and the resultant reversal of tariffs have impacted on the Agency's ability to generate budgeted revenue levels.

Cash flow forecasts are prepared and are being monitored whilst new tariffs are being considered.

Interest rate risk

As the Agency has no significant interest-bearing assets, though it has some investments in the money market, its income and operating cash flows are substantially independent of changes in market interest rates.

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. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Most of the Agency's debtors are Magisterial Courts within the Republic.

28. 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.

Attention is, however, drawn to a court action instituted against the Agency by some cross-border hauliers challenging the new fees for cross-border road transport permits, effected on 01 April 2011. The outcome of this court action might have an impact on CBRTA's ability to generate the budgeted revenue levels.

29. Events After the Reporting Date

On 01 April 2014, two Board members, Mr Matete Matete, who was the Chairperson of the Board as well as Ms Mathabo Nakene, a member of the Audit and Risk Committee, whose terms had expired were retired. The Minister appointed Ms Pamela Pokane as Chairperson of the Board, whilst Mr Wayne Smith, Mr Reuben Dlamini, Mr Moses Scott and Mr Gordon Noah were appointed as members of the Board. Ms Maleho Nkomo and Mr Nala Mhlongo were re-appointed with effect from 01 April 2014.

Further to the above development, the Minister signed new regulations and tariffs applicable for the issuance of permits after some comprehensive consultation with the industry.

Except for the matters above, the Accounting Authority and Management are not aware of any matter or circumstance arising between the end of the financial year and the date of this report, not otherwise dealt with in the financial statements, which significantly affects the financial position of the company or the results of its operations, or that would require adjustments to or disclosure in the Annual Financial Statements.

30. Fruitless and Wasteful Expenditure

	2014 R	2013 R
Opening balance	11,689	456,823
Add: Fruitless and wasteful expenditure – current year	2,224	11,689
Less: Amounts condoned	-	(456,823)
	13,913	**11,689**

The Agency paid interest on overdue accounts of R2,224 (2013: R11,689).

31. Irregular Expenditure

	2014 R	2013 R
Opening balance	920,010	14,265,818
Add: Irregular Expenditure – current year	827,753	920,010
Less: Amounts condoned	-	(14,265,818)
	1,747,763	**920,010**

Analysis of expenditure awaiting condonation per age classification

	2014 R	2013 R
Current year	827,753	920,010
Prior years (relating to financial year 2012/13, awaits condonation)	920,010	-
	1,747,763	**920,010**

Details of irregular expenditure – current year

	2014 R	2013 R
Month to month rental and security contracts. Disciplinary steps taken/criminal proceedings Processes have been put in place and procurement requirements are being adhered to.		827,753

32. Reconciliation between Budget and Statement of Financial Performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the Statement of Financial Performance:

	2014 R	2013 R
Net (deficit)/surplus per the Statement of Financial Performance	(46,516,038)	34,497,806
Adjusted for:		
Loss on disposal of assets and impairments	1,193,504	701,479
Finance charges	139,000	159,000
Fruitless and wasteful expenditure	2,224	11,689
Strategic objectives & marketing activities	500,000	(45,613,304)
Consulting and professional services	(4,922,660)	2,204,367
Other operating expenditure	3,767,344	4,188,461
Depreciation and amortisation	2,307,438	(6,136,045)
Employee costs	(1,424,462)	(1,107,251)
Actuarial gains	(89,000)	(256,000)
Under-recovery of budgeted income	45,042,650	11,349,798
Net surplus per approved budget	-	-

Detailed Statement of Financial Performance as at 31 March 2014

	Notes	2014 R	2013 R
Revenue			
Penalty revenue		35,052,800	19,995,790
Permit issue fees		73,226,860	125,849,815
Permit application fees		23,229,331	40,084,595
Other income		3,328,981	2,380,295
Donation received		-	20,000
Interest received – investment	18	5,977,300	4,922,505
Total revenue		**140,815,272**	**193,253,000**
Expenditure			
Personnel	16	(118,189,614)	(101,004,140)
Relocation expenditure		(6,000)	(2,700)
Depreciation and amortisation		(4,714,758)	(3,529,458)
Finance costs	19	(141,224)	(170,689)
Debt impairment	17	(1,125,910)	(616,870)
Document storage costs		(188,458)	(142,276)
Repairs and maintenance		(126,400)	(137,038)
Loss on disposal of assets		(67,594)	(84,612)
General expenses	14	(62,771,352)	(53,067,411)
Total expenditure		**(187,331,310)**	**(158,755,194)**
(Deficit) surplus for the year		**(46,516,038)**	**34,497,806**

Notes

CROSS-BORDER
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