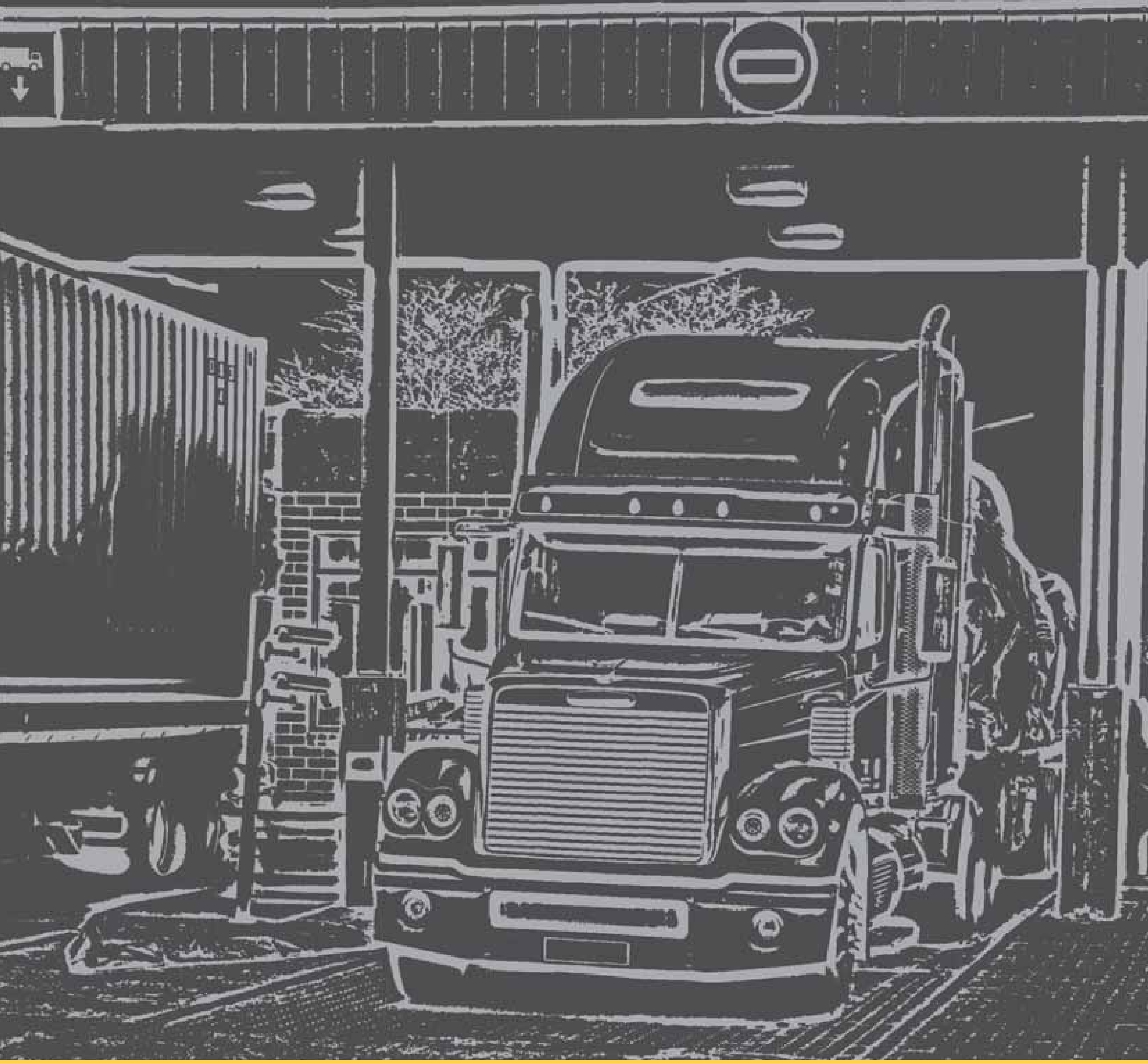
Annual Report 2011



CROSS•BORDER
ROAD TRANSPORT AGENCY

Content

Overview

The Cross-Border Road Transport Agency ("CBRTA") is a Schedule 3A Public Entity and plays a major role in promoting social and economic development within the SADC region through facilitating the unimpeded flow of freight and passenger cross-border movements and ensuring market access regulation.

The Cross-Border Road Transport Agency (CBRTA) was established under the Cross-Border Road Transport Act 4 of 1998, as amended to provide advice, ensuring market access regulation, facilitating the unimpeded flow of freight and passenger cross-border movements and law enforcement in respect of cross-border road transport.

The role of the Agency includes:

- Advising the Minister of Transport on any aspect related to cross-border road transport policy;
- Regulating market access of freight and passenger cross-border transport movements;
- Undertaking road transport law enforcement; and
- Facilitating:
  - 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;
  - The provision of training, capacity building and the promotion of entrepreneurship generally and, in particular, in respect of small, medium and micro-enterprises with an interest in cross-border road transport.

Legislation and mandates

Cross-border road transport is underpinned by multilateral and bilateral agreements between South Africa and several of its neighbouring countries under the auspices of the Department of Transport, Cross-Border Road Transport Agency and the SADC Protocol on Transport, Communications and Meteorology, including the Southern African Customs Union's (SACU) Memorandum of Understanding.

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

The SADC and SACU principles encourage, amongst others, good neighbourliness between member states to remove any impediments that could hinder the realisation of the intentions enshrined in them. To this end, Article 5.1 of the SADC Protocol stipulates, "Member states shall facilitate the unimpeded flow of goods and passengers between and across their respective territories…"

These are the principles and documents which guide the role and existence of the CBRTA.

In the execution of our functions and in line with our founding legislation, the CBRTA 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.

The Agency executes its mandate through five core functional areas which are as follows:

- Administration
- Facilitation and Industry Development
- Road Transport Inspectorate
- Regulatory and Legal Services
- Strategic Support

The CBRTA has regional offices closer to the ports of entry to ensure compliance to permit conditions across cross-border movements. It is envisaged that cross functional teams will be deployed to these offices in the FY2011/12 to ensure comprehensive service offerings at the ports of entry. Our offices are in the following provinces:

- Gauteng – Pretoria
- Mpumalanga – Nelspruit
- Free State – Ladybrand
- KwaZulu-Natal – Durban
- North West – Zeerust
- Limpopo – Musina and Mokopane
- Western Cape – Bellville
- Northern Cape – Upington

The structure of the Agency consists of the Board of Directors, Executive Team, Management and staff members. Currently, the CBRTA has a staff complement of 166 employees, with an envisaged full complement of 322 at 31 March 2012.

Our vision

"A leading Cross-Border Road Transport Agency within the SADC region."

Our mission

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

Our core values

The following values are the core pillars of the Agency's organisational culture:

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

Our long-term strategic goals are as follows:

- Goal 1 – Strategic positioning to enhance organisational sustainability;
- Goal 2 – Facilitate unimpeded flow of cross-border transport;
- Goal 3 – Promote regional integration;
- Goal 4 – Promote safe and reliable cross-border transport; and
- Goal 5 – Enhance organisational performance.

The CBRTA has embarked on multifaceted organisational renewal projects aimed at, amongst others, the improvement of working conditions and enhanced stakeholder relation interventions as an indication of our commitment towards creating an institution that is efficient, effective and respected by all stakeholders.

The Cross-Border Road Transport Agency is a key enabler in advancing regional economic growth and social development

Report of the Chairperson of the Board

Introduction

The financial year 2010/11 will be considered as the year which had a serious impact on the transportation industry in South Africa. A catalyst to most of the transportation projects was the hosting of the 2010 FIFA World Cup. The World Cup project had an enormous and positive bearing on the transportation sector. Even though most of the projects were already decided and confirmed before the hosting of the World Cup was awarded to South Africa, the World Cup provided an incentive for most projects to be completed before the kick-off. This resulted in a number of transportation projects being fast tracked and some were completed on time.

The World Cup had a direct impact on the cross-border road transport as well. It was expected that most of the spectators especially from the African continent would make use of road transport to travel to and from South Africa. It is in this space that the CBRTA played an instrumental role in making sure the World Cup was a success. We believe the Agency lived up to its expectations and contributed to making South Africa and the African continent proud.

In this period (2010/11) the Agency experienced a number of changes. The following are some of the key changes that took place:

- New CEO, Mr Sipho Khumalo started his tenure on 1 April 2010;
- The Agency relocated its offices from Hatfield to Menlyn;
- The new executive team (four executives) was appointed;
- Three members of the Board retired; and
- The Minister of Transport appointed three new Board Members, including the new Chairperson.

I am proud and honoured to have been appointed the Chairperson of the Board by the Minister of Transport and would like to take this opportunity to thank him and the Department of Transport for the confidence shown in me.

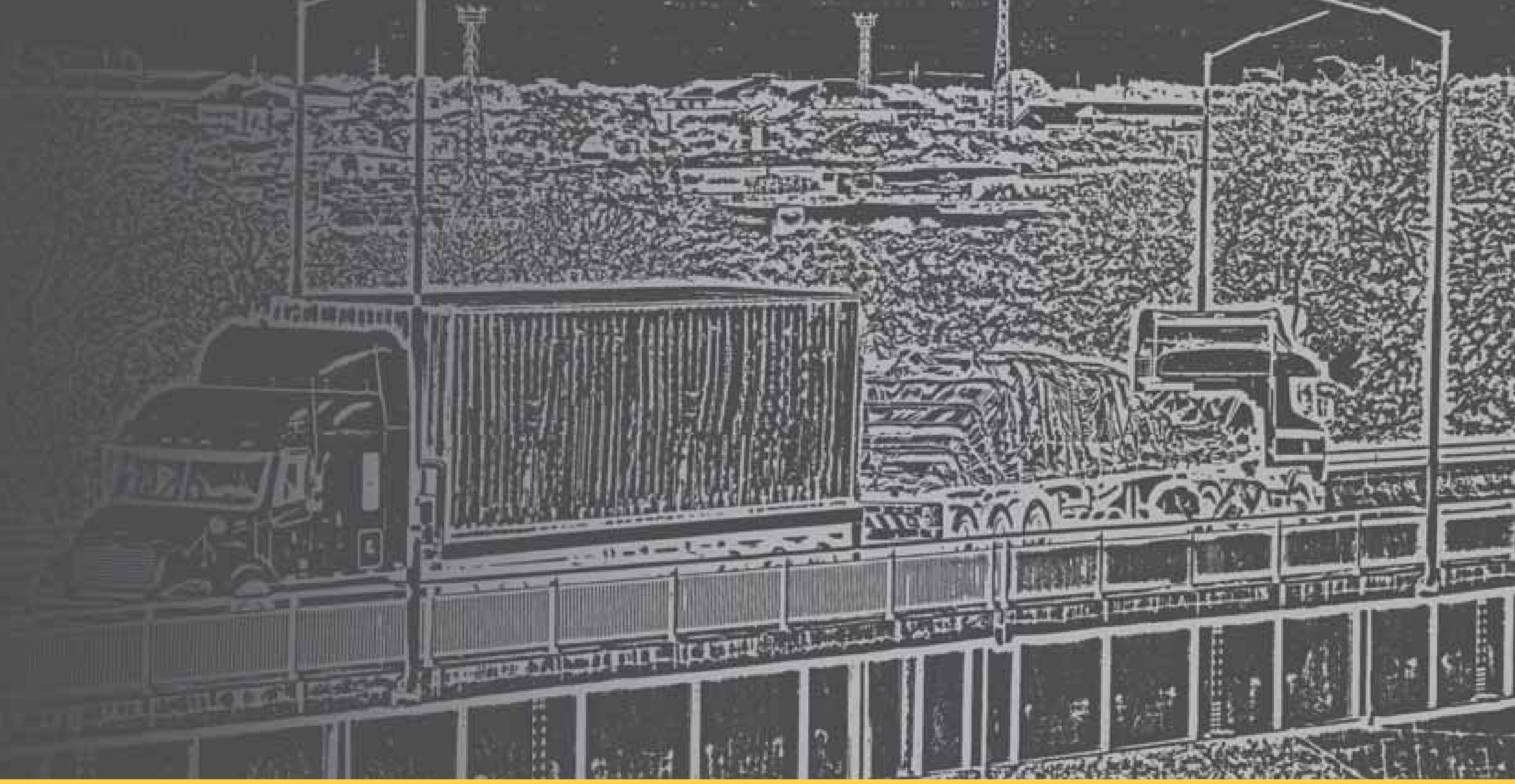
Performance

My focus for the 2010/11 performance is based mainly on the Auditor-General's (AG) Report, the strategy adopted and financial status in the period.

It should be noted that the Agency has not had an unqualified audit report since its inception. This point was made clear to all new members who have recently joined the Agency. The Auditor-General alluded to this in his report. This year the Agency received only one qualification.

The AG Report listed a number of findings, including:

- Issues of governance which need urgent attention. The report made reference to a lack of oversight from the Accounting Authority;



- The report referred to the lack of specific objectives, which are measurable in the strategy developed previously; and
- The need to strengthen the internal control environment.

The other critical point to be considered is the financial position of the Agency.

The Agency was under severe financial pressure during the year as reflected in the disclosed deficit at year-end. This was mainly as a result of income streams that have not increased since 2003. This was also coupled with an inflationary increase in the expense base. During the period under review, a decision was taken to utilise the accumulated surplus funds to initiate and implement a turnaround strategy and key strategic projects to assist the Agency in positioning itself as a credible facilitator of change in the industry.

The Board and management considered possible avenues available to the Agency that would rescue the Agency from the financial strain. A review of the funding model was undertaken and a proposal was developed. The team solicited the support of its shareholder and this culminated in an increase in permit tariffs on 1 April 2011. The Agency, as a self-funded public entity, would not have been a going concern in the absence of these increments.

During the progression of the financial year, key appointments were made and new divisions and departments were established to capacitate the entity at an operational level to focus on the historically neglected execution of its mandate. Furthermore, significant and positive leadership changes occurred during the year.

The executive and senior management teams were mainly stabilised during the third quarter of the financial year. Stabilisation of the entity was enhanced with the advent of new recruits thereby strengthening the capacity and skills. Key business improvement processes were implemented during the latter part of the financial year and the Board is therefore confident that the management team, as at 31 March 2011, will lead the Agency's focus to implement the newly developed Strategic Plan – dubbed "Changing Gears Strategy" – over the next three years.

Governance

In October last year, the Minister of Transport appointed three new Board Members to join the CBRTA's Board which was made up of four members including the representative of the shareholder (the Department of Transport). As part of these changes, I was assigned the responsibility of being the Chairperson of the Board.

In October last year, the Board complement was seven members all of whom are non-executive directors. In March 2011, the Minister retired three Board Members who were members of the Board prior to the October appointments. Mr Hartley Dikgale was the only member whose appointment was extended for a further period of three years. The tenures of Mr Bongisizwe Mpondo, Ms Brenda Horne-Ferreira and Ms Thuli Letsoalo came to an end. The reconstitution of the Board by the shareholder resulted in four newly appointed Board Members, including myself, serving on the Board in the last six months of the financial year (October 2010 – March 2011).

It should be noted however, that the outgoing members of the Board laid a sound foundation for the new members to build from. It is also worth mentioning that the overlapping phase was managed professionally by the Department of Transport and the management team of the CBRTA led by the CEO.

The new members were inducted with the assistance of the Department of Transport, Auditor-General's Office and the CBRTA's management team.

During the induction phase, the incoming members were made aware of the historical challenges. Some of these challenges have perpetually dogged the Agency since its inception. At the heart of these challenges is the fact that the Agency has not had an unqualified audit report from the Auditor-General.

A decision was taken after the induction process that new members should make an effort to understand the business process especially at the border posts. To this end, the Board Members embarked on border visits, visiting five border posts namely: Beit Bridge, Groblers Bridge, Ramatlabama, Skilpads Gate and Kopfontein.

A number of workshops focusing on governance were organised to ensure members are fully equipped to understand the accountability paradigm and governance principles.

The Changing Gears Strategy (2011 – 2013)

The key strategic interventions initiated in the past financial year (2010/11) were internally focused with the aim of stabilising and anchoring the Agency in terms of leadership, governance, overall business improvement and to ensure medium- and long-term financial sustainability.

In December last year the Board and the executive team came together to draft a new strategy. It was decided then that the Agency needed a turnaround strategy which would position the Agency as the facilitator of unimpeded flow of traffic at the border post and a promoter of economic improvement within the SADC region. The turnaround strategy was subsequently developed and was named the "Changing Gears Strategy". The Changing Gears Strategy incorporated a revised funding model whereby all core business processes were re-engineered. This strategy takes a comprehensive approach, as it puts emphasis on how the Agency should fulfil its mandate. Furthermore, the strategy seeks to position the Agency as a vehicle which adds value to all the stakeholders involved in the cross-border business. The Board is committed to drive the performance of the Agency as stipulated in the Changing Gears Strategy with the aim of ensuring longevity and sustainability in promoting its mandate.

The new strategy took into account the points raised by the Auditor-General and an effort was made to ensure that objectives are aligned to the PMFA guidelines. The strategy covers a three year period (2011 – 2013).

Looking ahead

The Board, the Executive Team and the entire staff of the CBRTA are determined to implement the Changing Gears Strategy.

The team is also committed to addressing and resolving key problem areas as articulated in the Auditor-General's Report.

The Board is committed to and will exercise its oversight role as stipulated in the CBRTA Act, the PFMA and all other relevant legislation.

The Board endeavours to put "service delivery" at the centre of every decision made and to serve all the stakeholders effectively and efficiently.

Acknowledgement

Let me take this opportunity to thank once more the Minister of Transport, The Honourable S'bu Ndebele, MP for the trust he has shown in me. I am honoured to be assigned the responsibility of leading this important Agency which has a direct impact on transportation stakeholders in South Africa and neighbouring countries (SADC region).

I would also like thank the Deputy Minister, The Honourable Jeremy Cronin, for the leadership and guidance and for availing himself when we need him.

Thanks should also be conferred to the Portfolio Committee on Transport particularly the Chairperson of the Committee, Ms Ruth Bhengu. She has been of assistance to the Agency and has been available to give the necessary support and guidance when required.

My fellow Board Members are a ready source of insight and support. I truly appreciate the support and counselling I receive from all the members of the Board, and for that I say thank you.

I further want to make use of this opportunity to thank all employees of the Agency who have embraced change and committed to effect change, not only in their internal environment, but also to project this energy by making a positive contribution to the transport industry. The Agency would not have been able to galvanise its critical role in the industry without each contribution.

Matete Matete
Chairperson of the Board

Sipho Khumalo

The Cross-Border Road Transport Agency is pregnant with the possibility for unleashing immense public value in the area of delivering unimpeded flow of cross-border movements, trade facilitation and the adoption of techniques for the proper management and optimisation of South African border posts.

Chief Executive Officer's Report

Introduction

To most South Africans, it is evident that our country continues to be challenged by the tension between a history without glory and a future with as yet unrealised possibilities! In the same way, the CBRTA is challenged by the co-existence within its make-up of an unpromising past and the unrealised potential to become a truly valuable strategic asset and a resource for the South African government.

This Agency is pregnant with the possibility for unleashing immense public value in the area of delivering unimpeded flow of cross-border movements, trade facilitation and the adoption of techniques for the proper management and optimisation of South African border posts.

As public officials, we have been entrusted with the responsibility of plotting the path through an unenviable past towards a desirable future. It follows that the test of our collective leadership capability will be judged by how we navigate through historic challenges, thriving on the ongoing tensions between the past and the future. As we do this, we take comfort from feedback and important indicators that suggest that there is growing consensus that we are now poised to become a key player in the realisation of the country's immediate economic objectives.

In the long run, our intention is to position this Agency as a key contributor to the possibility of building an economically integrated and globally competitive African continent.

It is very tempting for me to immediately delve into the forays of the future that we are crafting and thus shine the light on the essence of that future and the possibilities inherent in what is being built.

However, the very nature of this report compels us to reflect on the unavoidable realities of our past. I therefore cannot avoid reflecting on the 2010/11 financial year, which is the year under review in this Report.

Performance review

It is notable that the year under review marked my first year as the CEO of this entity and, without downplaying any of the challenges that continue to bedevil this organisation, I can confidently state that I am very pleased to report on some remarkable achievements and positive changes that were registered in the 2010/11 financial year.

When I took over as the CEO of this Agency on 1 April 2010, I inherited an organisation that was battling with the basic task of defining its reason for existence; an organisation that had at least three different versions of a strategy document, where no one could tell which version was valid or the prevailing one.

This was an organisation that had not managed to keep one CEO for a period exceeding 12 months and had more than seven CEOs in a period of seven years. An organisation whose condition was best captured in the words of Ms Ruth Bhengu, the Chairperson of the Portfolio Committee on Transport, who described it as being in "a total state of mess and as requiring to be thoroughly exorcised of its demons!"

In my first appearance before the Portfolio Committee on Transport, which happened on 20 April 2011, and in the subsequent interactions with the Minister of Transport, the CBRTA was challenged by both Minister Ndebele and by Parliament to 'reinvent' itself!

We were told that we needed to embark on a soul-searching exercise and to 'exorcise' ourselves of the demons that had been bedevilling this entity from the time of its inception.

Notwithstanding the state the organisation was in when I took over as CEO, many are now in agreement that the CBRTA is in a very good shape to meet the challenges ahead. Probably for the first time in its history, this Agency has an organisational structure that is founded on the basis of and directly responsive to its legislative mandate.

The following functions: (a) the Road Transport Inspectorate; (b) Regulatory and Legal Services; (c) Facilitation and Industry Development; (d) Governance and Strategic Support; (e) Finance, IT and Fraud Prevention; and (f) Corporate Services, are all headed by Executive Managers and their establishment has been derived from the prescribed functional areas of this entity as defined in the Cross-Border Road Transport Act of 1998 (as amended).

For the most part, 2010/11 was a year that was devoted to this soul-searching exercise. We spent a lot of time and energy rethinking and engaging, testing and reviewing our thinking on how best to engage with our mandate and how best to reposition the work of this Agency. We were concerned about the need to assume a strategically sound role and to assume functions that would be value-adding whilst remaining true to the founding aims of the CBRTA.

By the beginning of this calendar year (2011), we had gone a long way towards nailing the task of redefining the reason for the existence of this Agency. We therefore entered 2011/12 with a much richer sense of where we needed to be heading!

One of the key reasons why the CBRTA had failed to realise its full potential in the past was a lack of funding. Without the means for doing any of the desirable things that could have been done by this Agency, it was paralysed and could not do more than just pay salaries. In my view one of the best and probably our biggest achievement in the 2010/11 financial year was the development of a funding model which provided a basis for costing the work of this Agency and enabled the revision of the CBRTA's permit tariffs.

To achieve this historic milestone, we needed to consciously engage with all parts of the political authorising environment and the industry players to bring this reality to their attention. We had to secure their confidence in our ability to turn this situation around. We had to persuade them to support our plans, our diagnosis of reasons for the historic failure, projections and the prognosis for the future.

As a consequence of these consultations and engagements that went with it, a big part of 2010/11 was spent not only rethinking the mandate and the role of this Agency, but also in the development of the funding model. Through this model, we provided our political principals with a scientific basis for revising our permit tariffs, which had remained unchanged for eight years.

It is also necessary to acknowledge that, notwithstanding what I consider to have been a gallant effort on the part of many within the CBRTA, we could not avoid a qualified audit opinion for the year under review! This is due to the fact that most changes were introduced late into the financial year under review. However, it is notable that over the last two years, the number of significant audit findings has been reduced substantially. For the current period, we only have one real qualification.

The Chairperson, Deputy Chairperson, Executive: Facilitation and Industry Development and I attended the Transport Budget Vote in June. During the debate of the Minister of Transport's Budget Vote in Parliament, some encouraging words uttered by the Parliamentarians were directed at the CBRTA! We learned from Parliamentarians that they were of the view that we had "turned the corner" and that we were out of the proverbial "Intensive Care Unit"! For those of us who gave the task of securing the first clean audit report in the history of the CBRTA everything we could over the last 15 months, it was heartening to hear and to realise that our efforts and the little gains that we have registered were being noted by our political authorising environment.

The truth of the matter though is that all the blood, sweat and tears were not enough to enable us to escape the qualification. Over the last 12 months, we developed and implemented a multiplicity of policies (in areas where we had none before), we developed standard operating procedures, we attended to historic lapses in the area of corporate governance, we religiously held regular management and performance monitoring meetings, we developed vigorous action plans and sought to action every issue that had been raised in the 2009/10 Audit Report. As we did all this, we convinced ourselves and truly believed that we had done all that could have been done!

In reality though, we have now realised that we could not reverse historic failures within a period of one financial year (2010/11). Some of our historic failures got us and condemned us to another qualified audit opinion! It should be noted that before 2010, the CBRTA did not have the practice of collecting "spent" notice books and reconciling the issued notices in these books with income from the courts, which we receive from the Department of Justice. Upon realising this weakness, we initiated a new practice to address this shortcoming.

In July 2010, we called for and sought to recall all the books issued in the previous years. This was done to enable us to start the new year on a clean slate with new books that would now be *monitored* and *controlled*. However, as it turned out, by the time we introduced this new practice, there were several notice books that could not be accounted for. Our inability to collect and account for all the notice books that had been issued during the 2010/11 financial year, coupled with our inability to determine the first notice book that was used by our inspectors in the 2010/11 financial year meant that we could not prove the completeness of the income received by the Agency during the year under review. This meant that the auditors could not place assurance on the completeness of the income received during the year under review, and because of this, we got ourselves a qualified audit opinion.

If there is any comfort to derive from this painful reality, it is that most of the shortcomings noted in the AG's Report for 2010/11 were addressed in that very year. Notably, this includes the introduction of a system for collecting and reconciling all issued notice books. This means that even though we evidently began 2010 with some gaps and shortcomings in terms of internal control systems and policies, we have started the current financial year (2011/12) on a much stronger footing and most of the challenges experienced in the previous financial year were dealt with even before the end of that financial year.

Reflecting on the future

At the beginning of this report, I indicated that I was anxious to look beyond 2010/11 and to focus on the exciting developments and strategic interventions initiated in the 2011/12 financial year. Unfortunately, due to the nature of this report, which is retrospective and reflective, I will not be able to do justice to these hopeful developments that are beginning to define the future spoken of in my introduction. However, please allow me to give you a sense of the key highlights.

As we begin the new financial year, we are now in a position to present to our shareholders a well-researched product that represents the collective intellectual wealth embodied in the Board and the Management of this Agency. Our new strategic direction is called the "Changing Gears Strategy," which is a figurative explanation of the strategic change that is currently taking place in our organisation.

The Changing Gears Strategy is intended to guide our day-to-day activities to ensure that we reach our organisational goals. In developing this strategy, we needed to revisit our reason for existence and to ask ourselves some difficult questions on what it is that the economy of South Africa requires from an entity that is entrusted with the responsibility of ensuring the unimpeded flow of goods and passengers across our borders.

Asking hard and difficult questions assisted the formulation of well-reasoned and sound arguments for changing gears. We want to be a value-adding entity whose functions will not be self-serving, but strategic in the realisation of the country's economic goals as articulated in the *New Growth Path* and related government economic policy documents. Through the Changing Gears Strategy, we have articulated a role for the CBRTA which is aligned with overall government policies which govern the transport sector.

Furthermore, changing gears is the CBRTA's response to its legislated mandate which entails *facilitation of unimpeded flow by road of freight and passengers in the region, liberalising market access progressively in respect of cross-border freight road transport, introducing regulated competition in respect of cross-border passenger road transport and reducing operational constraints for the cross-border road transport industry* as a whole.

The realisation of the Changing Gears Strategy will be achieved through five key strategic projects, namely, **Strategic Value Proposition Plan** (SVPP), **Industry Partnership Development Plan** (IPDP), **Operator Compliance Accreditation Scheme** (OCAS), **Business Model for Streamlining Border Management Practices** and **Market Access Regulation** (MAR). These will be key drivers for our strategy going forward and I would like to urge all our stakeholders and partners to support the realisation of the goals intended in each of these projects.

Our success will depend on collaborative partnerships and mutually supportive roles that we must all embark upon in order to free the flow of passengers, goods and services and thus assist in the integration of the SADC region. I therefore invite you to read our new strategic plan – the "Changing Gears Strategy" – to gain a better perspective of these exciting and promising developments that constitute the bricks and mortar and the very essence of the future that we are constructing for the CBRTA! In short, we pray that we will be given a chance and an opportunity to demonstrate how public value can be created through this public entity!

Conclusion

I wish to conclude this report by paying a special tribute to all the people who have supported our efforts in transforming and reconstructing this entity into a public value-adding entity of government. To this effect, allow me to pay special tribute to the Minister of Transport, Dr Sbusiso Ndebele, whose unwavering support and courage enabled us to revise our permit tariffs and gave us the necessary platform for doing the things that need to be done to turn this Agency into a high-performing value-adding entity.

We also wish to acknowledge and appreciate the unwavering support of the South African Parliament, expressed through the Portfolio Committee on Transport and the gallant leadership of Ms Ruth Bhengu and her team. We also wish to acknowledge the support and assistance of the Deputy Minister, The Honourable Jeremy Cronin; the support and guidance of the Chairperson and the Board of the CBRTA; the contribution and sacrifices of the Executive Team, the Management of the entity and the staff; and the contribution, participation and commitment of the industry and all other actors within the transport space.

Sipho Khumalo
Chief Executive Officer

Board members

Matete Matete (Chairperson of the Board)

Current position
- Independent Consultant at 3M Consulting.

Qualifications
- Diploma in civil engineering
- BSc Honours in transportation
- Masters in engineering
- MBA

Current membership
- Member of the Engineering Council of South Africa
- Director at the Annual Transport Convention
- Member of the Institute of Directors

Maleho Margaret Daisy Nkomo (Deputy Chairperson of the Board/ Chairperson: Human Resources and Remuneration Committee)

Current position
- Independent Consultant

Qualifications
- BCom
- BCom Honours
- Certificate Senior Executive Programme from Harvard University
- Master in Commerce

Current membership
- Deputy Chairperson of the Gauteng Rental Housing Tribunal
- Board Member at the Urban Reconstruction and Housing Agency
- Board Member Tshwane South College
- Independent/Non-executive Audit Committee Member:
  - Education Labour Relations Council
  - National Library of South Africa
  - Free State Department of Co-operative Governance, Traditional Affairs and Human Settlements

Nala Mhlongo (Chairman: Audit and Risk Committee)

Current position
- Management Consultant

Qualifications
- BCom
- BCom Honours
- Chartered Accountant
- Advanced Taxation Certificate

Current membership
- Board/Audit Committee Member at the:
  - Water Research Commission
  - Construction Industry Development Board
  - Private Security Industry Regulatory Authority
  - Competition Commission/ Tribunal
  - Companies and Intellectual Property Commission
- Member of the Commission for Copyright Review set up by the Minister of Trade and Industry

Shamilla Singh

Current position
- Practising Attorney under the name Sha Singh & Associates

Qualifications
- BA Law
- LLB
- Certificate of the Aspirant Judges Programme
- Right of Appearance as an Advocate

Current membership
- National Association of Democratic Lawyers
- South African Women Lawyers Association

Hartley Dikgale

Current position
- General Counsel: Rand Uranium

Qualifications
- Masters in Law
- Higher Diploma in Company Law
- Diploma in Telecommunication Senior Management

Current membership
- Membership at:
  - Black Lawyers Association
  - National Precious Metals Forum
  - Black Management Forum
- Directorships include :
  - Pamodzi Resources (Pty) Limited
  - Pamodzi Coal (Pty) Limited
  - Inyosi Coal (Pty) Limited
  - Watermark Global PLC

Sinethemba Francis Mngqibisa

Current position
- Chief Director: Department of Transport

Qualifications
- BCom
- BCom Honours
- National Diploma in Clinical and Medical Microbiology
- Certificate in Labour Law
- Postgraduate Diploma in Transport Management and Project Management

Gavin Kelly

Current position
- Manager at the Road Freight Association

Qualifications
- Various qualifications in education, management and training development
- Has also written articles for the Traffic Digest, Robot, SABOA Bus, Informus and the SAIMAS Journal as well as various newspaper and magazine special feature columns
- Presented numerous papers at various local and international conferences regarding aspects of traffic policing, human resource development, systems development and transport policy issues

Mathabo Marian Nakene

Current position
- Programme Manager at Wits University

Qualifications
- BSc
- BSc Honours
- Masters in Project Management
- Computer Scientist

Sipho Khumalo (Chief Executive Officer)

Current position
- CEO CBRTA

Qualifications
- Masters in public and development management
- BA Honours
- Other specialised courses

Current membership
- Deputy Chairperson of Gautrain Management Agency
- Black Management Forum

Executive profile

Front Row (from left)

Ronald Stuurman (Executive) Regulatory and Legal Services (Appointed on 15 September 2008)

Sipho Khumalo (Chief Executive Officer) (Appointed on 1 April 2010)

Yolisa Mashilwane (Executive) Facilitation and Industry Development (Appointed on 1 May 2011)

Second Row (from left)

Marina Aucamp (Chief Financial Officer) Finance, IT and Supply Chain Management (Appointed on 1 November 2010)

Samson Koloi (Executive) Road Transport Inspectorate (Appointed on 1 June 2010)

Last Row (from left)

Dineo Mathibedi (Executive) Corporate Services (Appointed on 1 November 2010)

Nivashnee Naraindath: (Executive) Strategic Support and Company Secretary – (appointed on 1 August 2011)

Performance against pre-determined objectives

The Cross-Border Road Transport Agency was established under the Cross-Border Road Transport Act, 4 of 1998, to provide advice, regulation, facilitation and law enforcement in respect of Cross-Border road transport, so as to:

- Improve the unimpeded flow of freight and passengers in the region;
- Introduce regulated competition in respect of cross-border road transport;
- Reduce operational constraints for the Cross-Border transport industry as a whole;
- Enhance and strengthen the capacity of the public sector in support of its strategic planning, enabling and monitoring functions; and
- Empower the cross-border road transport industry to maximise business opportunities and to regulate themselves incrementally to improve safety, security, reliability, quality and efficiency of services.

Operational performance continued

Road Transport Inspectorate

The purpose of the programme is to ensure compliance by operators with all cross border road transport legislation as well as to the SADC Protocol. The strategic intent of the function is to support the safety of freight and passengers in the Southern African Region through incentive-based voluntary compliance with relevant laws and regulations.

1. Introduction

The strategic objective of the division is to perform an informed and visible inspection and prosecute non-compliance in a controlled manner within a harmonised environment.

The Road Transport Inspectorate delivers value through the following three units:

- **Law enforcement operations**
  Monitoring the carriers through inspections to ensure that they operate within the prescribed legal parameters and initiate a prosecution process where there is non-compliance.
- **Law enforcement profiling unit**
  The unit was established to enable data-driven law enforcement activities and the intelligent deployment of Inspectors. The output of the unit will provide information on route activities which will inform planning of law enforcement operations and assist Regulatory Committee in decision-making.
- **Training and external activities unit**
  The unit takes care of training and development needs of the Inspectors. It also ensures co-operation and collaboration with law enforcement stakeholders to harmonise operating procedures and standards locally and in SADC.

2. Operational performance

The focus of the Road Transport Inspectorate division during the financial year was to put controls in place to improve the effectiveness and efficiencies in the Law Enforcement unit. A number of projects were initiated, amongst others, the development of Standard Operating Procedures (SOP) Manual, the Code of Conduct, and the establishment of the Law Enforcement Profiling unit to ensure informed decision-making through the collection and dissemination of meaningful data and information.

The skills and competence of the Inspectorate was high on the priority list. The newly established Training and External Activities unit developed a training programme and conducted training for all Inspectors on the SOP, High Level Internal Control Policy and the Code of Conduct. Inspectors received training on the Administrative Adjudication of Road Traffic Offences Act, 46 of 1998.

Project Vuthela was initiated as a means to ensure that all Inspectors were doing their part to ensure cross-border operators compliance. Team leaders were appointed to ensure closer supervision in the field.

The initiative undertaken yielded positive results in that the number of inspections improved, thereby increasing the penalty revenue as indicated in Tables 1 and 2 below. However, there still remain the challenges as far as penalty revenue collection is concerned. Cases are not completed in time, hence the long periods of outstanding J14s. The division has tried on a number of occasions to engage magistrates courts through Case Flow Management as well as bi-lateral meetings to find solutions to the challenges.

Although there are no formalised relationships between the Agency and other traffic law enforcement authorities, joint law enforcement operations are taking place with counterparts. Challenges are being experienced in terms of the mandates of these authorities as far as cross-border operations are concerned.

Through the newly formed Law Enforcement Profiling unit, the division has embarked on an exercise of identifying operators that have not returned their expired permits, outstanding consignment notes and passenger lists. This initiative has seen the return of 3 333 expired permits and 5 609 consignment notes. A total of 337 operators were penalised for failure to return documentation as required by the legislation.

In conclusion, the division initiated the establishment of the SADC law enforcement structure. Towards the end of the financial year, the SADC Secretariat inaugurated the Regional Road Transport Law Enforcement Working Group, a body comprising fourteen SADC member states. The structure is tasked with the harmonisation of road transport and traffic standards, documentation and procedures in the region.

3. Operational data

Tables 1 and 2 below summarise activities and statistics achieved during the reporting period:

Table 1: Vehicle inspections and prosecutions

Work activity	2009/2010	2010/2011	Difference	Percentage
Vehicle inspections	59 880	65 400	5 520	9%
Prosecutions	14 470	15 486	1 016	7%
Prosecution rate (%)	24	24	0	–
Compliance rate	4,03	4,22	0,19	4,71%

Table 1 shows an increase in number of vehicles stopped and inspected. The number of summons issued during the reporting period also increased. However, the prosecution rate decreased as result of a slight increase in the compliance rate. This means that effective and efficient law enforcement operations resulted in an increased number of operators complying.

Table 2: Penalty income

Income stream	2009/2010	2010/2011	Difference	Percentage
Roadblock fines	R12 057 496	R13 887 910	R1 830 414	15%
Cabotage fines	R287 500	R466 500	R179 000	62%
Overloading	R332 700	R199 400	(R133 300)	(40%)
Consignment notes and passenger lists fines	R0	R468 190	R468 190	–
Total	R12 677 696	R15 022 000		

Table 2 shows an increase on revenue generated compared to the previous year. This is in line with an increase in the number of vehicle inspections conducted. In addition, there was an attempt to follow-up with the courts on outstanding cases, which resulted in additional revenue being recovered from outstanding notices. An amount of R468 190 was realised from the prosecution of outstanding consignment notes and passenger lists. Income from overloading cases decreased due to out-of-service mobile scales.

4. Strategic projects

The table below details the strategic projects undertaken, progress made and the recommended intervention in the next financial year:

Strategic objective	Programme	Key performance indicator	Target	Percentage completion	Recommended/ Intervention
To perform an informed and visible inspection and prosecute non-compliances in a controlled manner within a harmonised environment	Improvement in business processes	Operating manual, policy and structure Implemented training plans, job profiles, job evaluations, salary normalisation and performance management contracts	100%	90%	Development and implementation of a training plan
	Improvement in the visibility of Inspectorate at border posts and major corridors	Available physical infrastructure to enable and improve visibility	100%	50%	Revision and implementation of Physical Infrastructure Plan

Operational performance continued

Strategic objective	Programme	Key performance indicator	Target	Percentage completion	Recommended/ Intervention
To perform an informed and visible inspection and prosecute non-compliances in a controlled manner within a harmonised environment continued	Enable data-driven law enforcement activities and the intelligent deployment of Inspectors	Functional unit that directs and informs law enforcement inspections	100%	100%	Capacitation of the unit with human resources and systems
	Ensuring that all prosecution activities are controlled and that revenue collection constraints are eliminated	An implemented, complete, accurate, updated and reconciled prosecutions electronic database Signed MoU's with Department of Justice and NPA Implementation of MoU's within each district Appointment of all inspectors as Peace Officers	100%	60%	Final testing of the prosecutions database Approval of draft MoU's and sign with stakeholders Implementation of the training for Peace Officer training
	Improvement of operational efficiencies within the Inspectorate	Operating costs reduction Restructuring of inspection areas and redeployment plan	100%	100%	Implementation of the Restructuring and Redeployment Plan
	Standardise the penalty fee structure at a national level	National penalty fee structure proposal	100%	80%	Approval of the fee structure proposal Rollout of the Penalty Fee Structure
	Synchronise law enforcement activities with other domestic law enforcement agencies	Signed MoU's with agreed action plans Joint law enforcement operations	100%	60%	Approval of draft MoU's and sign with stakeholders
	Harmonise law enforcement practices within the SADC region	Functional and active cross-border law enforcement SADC forum Joint law enforcement operations	50%	50%	Draft harmonised law enforcement standards, procedures and documentation
	Implement revenue generation programmes/ initiatives	Revised law enforcement offences list Increased penalty income	100%	100%	Revise penalty fees in line with the new permit tariffs

Regulatory and Legal Services

The purpose of this unit is to regulate access to the market by issuing permits for cross border road transport in respect of freight and passenger operators. These activities are undertaken in order to improve and promote social and economic development and regional integration through progressive market liberalisation. The unit further ensures compliance to the Cross-Border Road Transport Act, as amended, and its Regulations as well as the provisions of the bi-lateral and multi-lateral road transport agreements.

Regulatory

The Agency has a legislative mandate to incrementally regulate market access to the cross-border road transport market by means of a permit regulatory regime. This function therefore provides co-ordinated regulation of the industry to improve the unimpeded flow of passengers and goods to promote socio-economic development and regional integration through progressive liberalisation.

Permits issued for taxi passenger operations decreased overall by 2% during the year under review, down from 11 776 to 11 552. Hereto follows a statistical overview of the taxi permits issued per country:

Table 1: Permits issued for passenger transport (taxi)

Country	2009/2010	2010/2011	Percentage movement
Botswana	584	558	(4%)
Lesotho	3 336	2 492	(25%)
Malawi	17	7	(59%)
Mozambique	5 195	5 072	(2%)
Namibia	32	39	22%
Swaziland	484	607	25%
Zambia	10	7	(30%)
Zimbabwe	2 118	2 770	31%
Total	11 776	11 552	(2%)

The Agency moved offices from Hatfield to Menlyn during July 2010 and incorporated a new client interface area for permit applications and issues.

Operational performance continued

Permits issued for bus passenger operations decreased overall by 80% during the year under review, down from 17 528 to 3 409. Hereto follows a statistical overview of the bus permits issued per country:

Table 2: Permits issued for passenger transport (buses)

Country	2009/2010	2010/2011	Percentage movement
Botswana	992	211	(79%)
DRC	0	3	–
Lesotho	3 958	712	(82%)
Malawi	328	251	(23%)
Mozambique	6 612	668	(90%)
Namibia	201	73	(64%)
Swaziland	943	138	(85%)
Zambia	227	86	(62%)
Zimbabwe	4 267	1 267	(70%)
Total	17 528	3 409	(81%)

Permits issued to freight carriers increased overall by 2% during the year under review, up from 74 970 to 76 844. Hereto follows a statistical overview of the freight permits issued per country:

Table 3: Permits issued for freight transport

Country	2009/2010	2010/2011	Percentage movement
Botswana	11 355	12 667	12%
DRC	3 835	4 779	25%
Lesotho	6 263	6 469	3%
Malawi	1 599	1 797	12%
Mozambique	8 810	10 064	14%
Namibia	8 928	7 934	(11%)
Swaziland	8 904	9 344	5%
Zambia	9 870	8 727	(12%)
Zimbabwe	12 317	11 676	(5%)
Cabotage	3 089	3 387	10%
Total	74 970	76 844	2%

Permits issued to tourist operators decreased overall by 9% during the year under review, down from 2 555 to 2 328. Hereto follows a statistical overview of the tourist permits issued per country:

Table 4: Permits issued for tourists operations

Country	2009/2010	2010/2011	% Movement
Regional	2 555	2 328	(9)

Legal Services

A Legal Officer was appointed during the period and the remainder of vacancies will be filled once funding becomes available. The unit focused on the vetting of contracts, drafting of service level agreements, research, legal advice, reviewing of Regulations and instituted legal action in one instance.

5. Strategic programmes

The table below provides an overview of performance against the Divisional strategic plan:

Strategic objective	Programme	Key performance indicator	Target	Percentage completion	Recommended/ Intervention
To incrementally regulate access to the market	Development of Regulation guidelines	Draft Regulation guidelines	100%	80%	Guidelines to be approved by Regulatory Committee
	Development of operator minimum requirement guidelines	Draft operator requirement guidelines	100%	20%	Proposals still to be invited from external service providers
	Improved permit security features	New permit design with improved security features	100%	100%	
	Develop terms of reference for vehicle monitoring system project	Terms of reference for vehicle monitoring system project	100%	90%	Project report to be tabled before Regulatory Committee
	Develop terms of reference for single permit (freight) study	Terms of reference for single permit (freight) study	100%	20%	Proposals to be invited from external service providers
	Linking access and integrate to and with other regulatory systems (e-natis, OLAS, LANPAS, RAS)	Linking access and integrate to and with other regulatory systems (e-natis, OLAS, LANPAS, RAS)	100%	50%	Follow-up on link connection with Department of Transport
	Memoranda of Understanding (ITAC, RSR)	Signed memoranda of understanding	100%	50%	Conclusion of draft Memorandum of Understanding
	Route assessment survey: RSA/ Lesotho route	• Terms of reference • Report on route assessment survey • Reduction of outstanding applications	100%	30%	Terms of reference finalised – Bid to be advertised
	Review of bi-lateral agreements	Review report and recommendations	100%	80%	Review report to be tabled before Regulatory Committee

Operational performance continued

Strategic objective	Programme	Key performance indicator	Target	Percentage completion	Recommended/ Intervention
To render a regulatory service according to prescribed rules and customer service standards	• Business process re-engineering • Sign-off on business processes and new divisional structures • Conclude performance contracts	• Operating manual • Revised divisional structure • Clean internal and external audit	100%	100%	Monitor compliance to High Level Internal Control Policy
	Development of specifications for a Cross-Border Road Transport Information Technology System (CBRTS)	Development of input for specifications	100%	100%	
	Extension of regulatory function	Availability of regulatory service at regional offices	100%	0%	Dependant on organisational restructuring plan
To render effective legal support services	Establishment of a Legal Services Division.	Recruitment and placement of personnel	100%	50%	Unit to be fully resourced in the 2011/2012 financial year. This could not be done due to financial constraints
	Draft Regulations: Review	Development of amendment Regulations to align Regulations to new legislative developments	100%	80%	Regulations to be approved by Regulatory Committee and submitted to the Department of Transport for gazetting for comment
	Draft Regulations: Annual tariff increase	Prepare Ministerial memorandum	100%	100%	
	Discussion Paper Amendment Bill	Discussion Paper Publication of Amendment Bill	100%	0%	Project to be initiated during 2011/2012 financial year

Facilitation and Industry Development (FID)

The purpose of this unit is to build and maintain stakeholder relationships within South Africa and across SADC and is of strategic importance due to the Agency's focus on the elimination of cross-border road transport impediments in co-operation with relevant stakeholders.

2010/11 Strategic Objectives:

The Strategic Objectives of the department is to facilitate consultative forums and stakeholder structure to reduce operational constraints and to minimise route conflicts. It further aims to harmonise standards and processes within the region and to address the identified developmental needs of the cross-border road transport industry.

During the 2010/2011 financial year the Division hosted a Cross-Border Taxi Operators Conference as a highlight for the October Transport Month and one of the resolutions was the establishment of the Cross-Border National Taxi Forum. This Taxi Forum held various meetings in the last financial year to a point where the Taxi Forum has drafted its terms of reference, constitution, and an MoU with the Agency which was commented on by the Regulatory and Legal Services division in January 2011.

The division also led the Agency in participating in Joint Committee (JC) and Joint Route Management Group meetings with Mozambique, Swaziland, and Botswana a special JC was held with Namibia.

Two Task Team meetings for the Mozambique route took place in Maputo in September and November 2010 respectively. The mandate of this task team is to monitor the implementation of the bi-lateral agreement. To date operations on this corridor have improved in terms of conflicts and general operations.

In an effort to resolve the passenger transport crisis on the Lesotho route, the Agency led the establishment of a multi-stakeholder Task Team to investigate and report on the challenges on this particular route. The Lesotho/RSA Task Team met in August 2010, November 2010 and March 2011. Reports with recommendations in this regard were produced.

The division facilitated and formed part of the delegation which accompanied the Board on a tour of the North and North West border posts. The purpose of the visit was to have a first-hand understanding of operations of these posts so that the CBRTA strategies could be aligned to the operations at the border post.

The division also participated in regional activities by attending several SADC corridor initiatives as follows:

1. North – South Corridor (NSC) – 4 meetings;
2. Integrated Border Management (IBM) – 1 meeting;
3. Trans-Kalahari Corridor (TKC) – 3 meetings;
4. South Corridor Cluster (SCC) – 1 meeting; and
5. International Road Traffic – Law Enforcement Technical Committee – 1 meeting.

Sibusiso Ndebele (Minister of Transport), George Mahlalela (Director of Transport) and Sipho Khumalo (Chief Executive Officer) at a special Traffic Chief's Summit in September 2010.

Operational performance continued

The division continued to facilitate conflict resolution meetings between affected taxi associations on all the routes, with the exception of Namibia. This led to operators entering into operational agreements which improved operations and curbed conflict. In addition to the above, the FID division represented the Agency at various stakeholder platforms, viz. Border Control Operational Co-ordinating Committee, AIDS awareness projects and Road safety programmes as well as interacted with the big Metros in Gauteng that has high cross-border passenger movements, i.e. Johannesburg and Ekurhuleni.

Main challenge faced by the division

The division consists of 11 staff members but due to funding constraints could only deploy 4 staff members and an intern. The lack of capacity had a significant impact on the performance of the division.

Key performance indicator	Annual performance	Target	Percentage completion	Recommended intervention
Formalised structures for route and corridor-based engagements	1. A programme of action of-the-BCOCC forum was developed for the year 2. Cross-Border Taxi Route Committees for the following countries/corridors were established: • Zimbabwe; • Mozambique; • Swaziland, • Botswana; and • Namibia. Terms of reference for three Taxi Route Committees were drafted and adopted, viz. • Mozambique; • Swaziland; and • Zimbabwe. Three meetings were held with Zimbabwe, three meetings were held with Mozambique, one meeting was held with Swaziland and no meeting was held with Namibia route committees 3. The National Cross Border Taxi Forum was established in October and their constitution was completed and adopted	100%	80%	Finalise the TORS with the remaining Taxi Route Committees Develop a programme of action with the National Taxi Forum for driving positive changes and improvements within the industry
Revised Transport Agreements As part of the review process, the transport agreements, Joint Committee (JC) and Joint Route Management Group (JRMG) were held with; to address the operational issues of the Agreements	There are currently bi-lateral agreements with Zambia, Zimbabwe, Malawi and Mozambique and one multi-lateral agreement SACU agreement with Namibia, Swaziland, Lesotho and Botswana The DRT revised the Zimbabwe agreement during the year of review. 1. JC's and JRMG's were held with: • Mozambique; • Botswana; and • Swaziland. A special meeting (JC) with Namibia was held	100%	50%	Develop review report on all existing bi-lateral agreements for review by the Department of Transport

Key performance indicator	Annual performance	Target	Percentage completion	Recommended intervention
Revised Transport Agreements (continued)	2. A special passenger transport conflict JC was held with Lesotho and a bi-lateral Task Team was established to address the passenger operations between South Africa and Lesotho. 3. Participated in various regional integration meetings as follows: 3 TKC meetings, NSC, IBM, IRTLEC and SCC			
Number of agreements reached with other stakeholders, i.e. TRAC, SANRAL,BCOCC,RAF	In the 2010/2011 financial year there were no formal agreements signed. However formal engagements were entered into with the BCOCC, TRAC and SANRAL	100%	25%	Establishment of formal relationships with the critical identified strategic partners and develop collaborative agendas for facilitating regional economic development in the 2011/2012 financial year
Approved Action plans with stakeholders	No approved action plans in the 2010/2011 financial year with the targeted stakeholders. This KPI is linked to the one above	100%		
Developed stakeholder engagement framework	Target not achieved	100%	0%	
Established Industry Development Unit	The unit was established during the period 2010/2011 financial year, however the division was not fully capacitated. The Manager was appointed in November 2010 with no additional staff appointments	100%	100%	Capacitate the division as per the approved structure
Needs analysis for development of toolkits	A needs analysis was conducted with the Cross-Border Passenger Industry. An action plan was developed to address the developmental needs of the passenger industry. Basic tools were developed to assist the bus and tourism industry, such as guidelines to enter the market, business plan template and guidelines and guidelines of choosing and registering their businesses	100%	50%	100% implementation of approved programme of action for general industry development in the 2011/2012 financial year

Corporate Services

The main purpose of the division is to provide internal consultancy services in respect of human resources, customer services, knowledge management, communications and facilities management functions to enable and enhance business delivery.

2010/2011 Strategic Objectives:

- To create a conducive environment in order to attract, engage and retain effective knowledgeable and performing talent in accordance with legislative requirements.
- To provide world-class customer services.
- To manage knowledge, records and enable easy access to sources of information.
- To create a healthy and safe working environment.

In order to assist the Agency to deliver on the above strategic objectives, Corporate Services Division comprises five units:

A. Human Resources
B. Customer Services
C. Knowledge Management
D. Auxiliary Services
E. Communications

Steady progress has been made towards the delivery of the outcomes particularly in the Human Resources department, however lack of internal capacity and capability remained a challenge in all departments throughout the year. The recent appointment of the Corporate Services Executive and Human Resources Manager should stand Corporate Services in good stead going forward. The resourcing of Communications, Knowledge Management; Records Management and Customer Services areas will be a focus area in the next financial year, including approval of relevant blue-prints and the filling of vacant positions.

Human Resources

The Human Resources department undertook to complete five deliverables in enabling the Agency to deliver on its mandate during the 2010/2011 fiscal year. Significant progress has been made towards the delivery of the outcomes, however lack of internal capacity and capability remained a challenge.

Appointment of three HR specialists is required for the unit to function optimally. Optimisation and streamlining of Human Resources processes through appropriate systems is also an urgent imperative which requires attention in the next financial year.

The salary normalisation process was also undertaken during the organisational restructuring process. The process aimed to align the Agency's remuneration packages with the external market. A remuneration benchmarking exercise was done with assistance of Deloitte Consulting; the exercise revealed that the Agency's salaries are lagging in the market in some functional areas and across all levels. All salary discrepancies and related organised labour disputes were resolved in the year under review.

CBRTA is committed to the principles of employment equity and seeks to create an organisation profile that reflects the diversity of the South African community. There has been a targeted growth in the number of women appointed into senior positions. Forty seven percent (47%) of CBRTA current staff comprises of women. Although there are two women (40%) in the Executive band at the end of the period under review, there are opportunities to appoint more women in this category in the next financial year. There is also a strong feeder base for succession planning in the Senior Manager and Manager employee categories.

Table 1: Employment equity statistics per gender and race

African	Coloured	Indian	White
78,4%	1,9%	1,2%	17,3%

Spring Day breakfast: an initiative held to encourage team spirit.

Performance against goals

Strategic objectives	Key performance indicator	Programme	Target	Percentage completion	Recommended/ Intervention
Create conducive environment in order to attract, engage and retain effective and knowledgeable talent in accordance with legislative requirements	Implemented Performance Management System (PMS)	Performance Management System	100%	79%	Further education and training is required to enhance understanding and compliance levels
	Revised HR Policies and Procedures Manual	HR policies and procedure	100%	75%	Training of all employees on revised policies will commence upon Board approval
	Approved Human Resources Development plan	Human Resources development plan	100%	27%	Targeted training will commence in FY2011/2012 based on approved training plan
	Approved HR Strategy	Implemented HR strategy	100%	50%	Draft strategy to be approved in FY2011/2012
	Implemented Restructuring Plan	Restructuring plan	100%	78%	Attraction of critical skills is a challenge. Attraction and retention strategy to be approved in FY2011/2012

Customer Services

The role of the Customer Services unit is to professionalise the internal CBRTA environment and strengthen the Agency's overall performance through effective customer management and service.

The Customer Services Unit shall comprise Centralised information and Complaints management contact centre. The unit was intended to be in Quarter 4 of the current financial year with the following as key focus areas:

- Approval of the unit's blue-print;
- Appointment of capable resources; and
- Sourcing of a technology solution that captures customer queries, complaints and perform analytics that will enable the Agency to understand customer challenges and therefore align strategies and resources to effectively meet the needs of a customer base, while creating a mutually beneficial and profitable relationship.

Strategic objectives	Key performance indicator	Programme	Target	Percentage completion	Recommended/ Intervention
To manage knowledge records and enable easy access to sources of information	Establish customer services unit	Customer services unit	100%	0%	Establishment of the unit is dependent on budget availability. Unit to be established in the next financial year
	Established working hours to the help desk as per monthly Call Centre Report	Centralised information and held desk	100%	0%	
	Standardised customer service	Approved customer services standards	100%	0%	

Operational performance continued

Knowledge management

In line with the strategic objectives, the following projects will be undertaken in the 2011/2012 financial year:

- Approval of records management policy; and
- Approval of knowledge management framework and policy.

The knowledge management unit shall comprise the Information Centre and Records Management units. Both units will be established in the next financial year. The information centre shall ensure that various information resources and print publications are available to enable the Agency to build and enhance the required intellectual capacity and capability.

The Records Management unit shall promote and enhance efficiency in the creation, use, retention and disposal of official records in line with the National Archives Act and Records Service of South Africa.

Strategic objectives	Key performance indicator	Programme	Target	Percentage completion	Recommended/ Intervention
To manage knowledge records and enable easy access to sources of information	Implemented records management policy	Records management system	100%	0	Establishment of the unit is dependent on budget availability
	Implemented knowledge management policy	Knowledge management system	100%	0	Establishment of the unit is dependent on budget availability

Communications

The Communications unit is responsible for the Agency's corporate communications. The appointment of a Communication's Specialist is crucial in enabling the Agency to enhance its brand, corporate image and to enhance external communications. The communications unit manages the following communication activities:

- A weekly electronic newsflash that carries business information;
- A year end function for all employees;
- Co-ordinating the World Aids day activities;
- Participating in the launch of the Employee Wellness Programme;
- Participation in National Transport monthly activities and other external road transport-related activities; and
- Draft communication policy and plan.

Auxiliary Services

In line with the strategic objectives, the following project will be undertaken in the 2011/2012 financial year:

- Approval of the health and safety policy.

The health and safety committee has been re-established; committee members will receive appropriate training in the next financial year.

The strategic projects that were not fully implemented were not implemented mainly due to financial constraints that the Agency faced in the financial year under review.

End of the year function when we said goodbye to 2010 with smiles on our faces.

Finance, IT and Supply Chain Management (SCM)

The purpose of the units under this programme is to ensure organisational compliance with all statutory and policy requirements pertaining to corporate governance, finance and IT.

Finance

The financial year under review was pivotal in ensuring a turnaround in the internal control environment with a focus on revenue collection and supply chain management processes.

A project was implemented to mitigate the basis for the qualified audit report pertaining to penalty income. The project included the development and implementation of a prosecutions database whereby each notice book entry is controlled and reconciled with a J14 and deposit received from the court. The accounting policy for penalty income was based on a cash basis in the past whereby revenue is recognised when a deposit is received from the courts. The policy was amended during the year to recognise penalty income when there is a matching notice book entry and J14 and to disclose trade receivables when the matching deposit from the court is outstanding.

A revenue management unit was established to monitor, improve and streamline revenue collection processes for permit tariffs and prosecution activities. A revenue management framework was established underpinned by a high level control policy that prescribes revenue processes in all areas. A partnership was created with the Musina Court whereby CBRTA officials perform court functions directly to ensure increased control over revenue collection in this priority area. The Agency is planning to roll-out the revenue collection model to other core areas during the next financial year.

A supply chain management unit was established during the third quarter with a roll-out of a comprehensive supply chain management framework including a policy, delegation of authority matrix, templates, training and the appointment of a bid adjudication and disposal committee. The Agency experienced a financial challenge with the implementation of an electronic preferred supplier database and will ensure compliance to prescripts during the 2011/2012 year.

Several other policies and procedures were implemented during the latter part of the year covering fixed assets, related parties, petty cash, travel, irregular expenditure, credit card and fruitless and wasteful expenditure.

A bid was awarded to a forensic specialist company during March 2011 to assist the Agency with the prevention, eradication, investigation and disciplining of fraud and corruption.

Operational performance continued

Performance against goals

Strategic objectives	Key performance indicator	Programme	Target	Percentage completion
To be financially sustainable with an unqualified audit report	To ensure effective revenue management	Revenue Management	• Established unit • Developed financial sustainability model • Approved fee structure	100% 100% 100%
	To ensure that expenditure is managed as per the budget and SCM compliant	Expenditure and Budget Management	• Established SCM unit • Activity-based costing user for strategy, project and operational expenditure	100% 100%
	To adequately resource the Agency	Asset Management	• Asset management policy and plans for next five years • Monthly cash flow forecast	100% 100%
	To ensure an unqualified audit (clean audit)	Internal Control Framework	• Developed Standard Operating Manual for all core functions integrated with internal control framework	60%

Corporate governance

1. Board of Director responsibilities and composition

The Board of Directors of the Agency provides strategic direction and leadership to the Agency and formally delegates duties to management through various structures including the Audit and Risk Committee, the Regulatory Committee, the Human Resources and Remuneration Committee and the Finance and Procurement Committee. The Board sub-committees are constituted according to the skills set required to enable the committee members to fulfil their functions.

The Board subscribes to the principles of openness, transparency and accountability as enshrined in the standards of sound corporate governance. The Board as the Accounting Authority in terms of the Public Finance Management Act (PFMA) has adopted a Board Charter. The Board Charter regulates how the Board and its sub-committees discharge their responsibilities according to the principles of good governance. The Charter aims to ensure that the Board of Directors understand their duties and responsibilities as well as the laws, regulations and best practices governing their conduct. It also details the division of responsibilities at Board level and that between the Board and management. The Board confirms that it has conducted its affairs in accordance with this Charter and all applicable laws and regulations.

The composition of the Board is premised on a unitary Board structure thereby ensuring interaction amongst all the Board Members in the decision-making process. The Board comprises eight independent non-executive directors, all of whom have been appointed by the Minister of Transport in accordance with the provisions of the CBRTA Act. The CEO by virtue of his appointment is the only Executive Director.

One half of the Board Members are required to vacate their office every 18 months in terms of the Cross-Border Road Transport Act, 1998 as amended.

Board meeting attendance statistics

Meeting attendance by the Board for the reporting period 1 April 2010 to 31 March 2011 is tabulated below:

Board committee (4 meetings)

Members	21/05/2010	29/07/2010	05/11/2010	10/02/2011
Mr G Phalafala	P	P	N/A	N/A
Mr M Matete	N/A	N/A	A	P
Mr B Mpondo	P	P	P	A
Mr L Twalo	P	A	N/A	N/A
Ms B Horne-Ferreira	P	P	P	P
Mr H Dikgale	P	A	P	A
Mr G Kelly	N/A	N/A	P	P
Ms N Ally	A	A	N/A	N/A
Ms T Letsoalo	A	A	P	A
Ms S Singh	N/A	N/A	P	A
Ms M du Preez	P	P	N/A	N/A

P = Present, A = Apologies, N/A = not applicable (not a member during this period)

Newly appointed board members visited five border posts in December 2010 under the leadership of the Chairperson of the Board, Mr Matete.

Newly appointed board members visited five border posts in December 2010 under the leadership of the Chairperson of the Board, Mr Matete.

2. Sub-committees of the Board

2.1 Audit and Risk Committee

The Audit and Risk Committee operates in accordance with its approved terms of reference. It assists the Board with the discharge of its duties in respect of ensuring an appropriate system of internal control, monitors compliance with the PFMA and other legislation, IT governance, reviews the integrity of the risk management system and significant risks facing CBRTA. The Committee is also responsible for reviewing the financial information and the annual financial statements.

Audit and Risk Committee record of attendance (5 meetings)

Members	27/05/2010	19/07/2010	31/08/2010	28/10/2010	19/01/2011
Mr N Mhlongo (Chairperson)	P	P	P	P	P
Mr L Twalo	A	A	A	N/A	N/A
Ms B Horne-Ferreira	A	A	A	N/A	N/A
Ms P Sibiya	P	P	P	P	A
Mr H Dikgale	N/A	N/A	N/A	N/A	A
Ms P Mzizi	A	P	A	P	P
Mr G Kelly	N/A	N/A	N/A	N/A	P

P = Present, A = Apologies, N/A = not applicable (not a member during this period)

Corporate governance continued

2.2 Human Resources and Remuneration Committee

This Committee provides guidance to the Board on human resource and remuneration policies and strategies. It maintains oversight of the management of the human resources function and remuneration practices. The sub-committee also operates in accordance with an approved term of reference.

Human Resources and Remuneration Committee (3 meetings)

Members	13/05/2010	25/01/2011	16/03/2011
Mr B Mpondo (Chairperson)	P	P	P
Mr L Twalo	P	N/A	N/A
Ms M du Preez	P	N/A	N/A
Ms S Singh	P	P	P

P = Present, A = Apologies, N/A = not applicable (not a member during this period)

2.3 Regulatory Committee

This Committee is established in terms of Section 13 of the Cross-Border Transport Act of 1998, as amended. The Committee is comprised of the Chairperson and Deputy Chairperson of the Board, the CEO and four Board members. The Regulatory Committee considers applications for new permits as well as the renewal or amendment of a permit. It also has the power to withdraw, suspend or vary a permit.

Regulatory Committee meetings and hearings (10 meetings)

Members	20/05/2010	24/06/2010	30/06/2010	22/07/2010	23/09/2010
Mr G Phalafala	P	A	A	P	A
Mr B Mpondo	P	P	P	A	P
Ms M du Preez	P	A	P	P	P
Mr H Dikgale	A	P	P	P	A
Mr M Matete	N/A	N/A	N/A	N/A	N/A
Ms S Singh	N/A	N/A	N/A	N/A	N/A
Mr G Kelly	N/A	N/A	N/A	N/A	N/A

P = Present, A = Apologies, N/A = not applicable (not a member during this period)

Regulatory Committees (2 meetings)

Members	20/05/2010	24/06/2010
Mr G Phalafala	P	A
Mr B Mpondo	P	P
Ms M du Preez	P	A
Mr H Dikgale	A	P

P = Present, A = Apologies, N/A = not applicable (not a member during this period)

2.4 Finance and Procurement Committee

The Finance and Procurement Committee is responsible for the recommendation of financial policies, budgets and goals to the Board. It reviews the Agency's financial performance against its objectives and performs certain functions as set out in the supply chain management policy. The committee functions in accordance with its approved terms of reference.

Finance and Procurement Committee (1 meeting)

Members	02/02/2011
Mr M Matete (Chairperson)	P
Ms B Horne-Ferreira	P

P = Present, A = Apologies, N/A = not applicable (not a member during this period)

Our team

Senior managers


Jackie Botha


Loraine Ncube


Donald Matlou


Botsang Moiloa


Reniee Govender


Bathabile Kapumha


Madumelana Maakana


Zakhele Nkabinde


Felleng Mogongoa


Simon Ditshego

Staff




















Our team continued

Staff








































Our team continued

Staff

Annual financial statements

Content

Report of the Chairperson of the Audit and Risk Committee

We are pleased to present our report for the financial year ended 31 March 2011.

The Audit and Risk Committee is an independent sub-committee of the Board and it operates in terms of section 27.1 of the Treasury Regulations.

1. Audit and Risk Committee Charter

The Audit and Risk Committee operated in terms of the formal and approved Audit Committee Charter. The committee has conducted its affairs in compliance with its Charter and has discharged its responsibilities contained therein. The Audit Committee Charter is available on request.

2. Audit and Risk Committee members and meeting attendance

The committee met five times during the 2010/11 financial year, in line with the approved Audit Charter, and it consists of the members listed below:

Members	27/05/2010	19/07/2010	31/08/2010	28/10/2010	19/01/2011
Mr N Mhlongo	P	P	P	P	P
Ms B Horne-Ferreira	A	A	A	N/A	N/A
Ms P Sibiya	P	P	P	P	A
Mr H Dikgale	N/A	N/A	N/A	N/A	A
Ms P Mzizi	P	P	A	P	P
Mr G Kelly	N/A	N/A	N/A	N/A	P
Mr L Twala	A	A	A	N/A	N/A

P= Present, A= Apologies, N/A= Not applicable (not a member)

3. Role and responsibilities

The committee reports that it has operated and performed its oversight responsibilities at CBRTA in compliance with section 51(1)(a) of the PFMA and Treasury Regulations 27.1.3. The Audit Committee is an advisory committee of the organisation, operating with an independent and objective stance.

3.1 Review of Annual Financial Statements

The Audit Committee:

- Reviewed the Annual Financial Statements (as per Treasury Regulations 27.1.8); and
- Reviewed the accounting policies and practices.

3.2 Auditor-General's Report

The Audit Committee agrees with the Report of the Auditor-General (AGSA).

3.3 Effectiveness of internal control

The Audit Committee has overseen a process by which internal audit performed an assessment of the effectiveness of the organisation's system of internal control and risk management. This written assessment by internal audit formed the basis for the Audit Committee's recommendation in this regard to the Board.

In line with the PFMA and the Treasury Regulations, Internal Audit provides the committee and management with the assurance that 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 Internal Auditors, we noted that there are matters that were reported that indicate some deficiencies in the system of internal control.

A formal risk assessment was undertaken by CBRTA in April 2010. Consequently, Internal Audit used this data to prepare the three-year rolling strategic plan and the annual audit plan. Management is committed to address the issues raised by internal and external auditors, and this is reviewed by the committee during its meetings.

Accordingly, the committee can report that the system of internal control still requires improvements.

3.4 Governance of risk

The Audit Committee fulfils an oversight role regarding risk management process within the organisation. The committee monitored the significant risks faced by CBRTA.

3.5 Submission of management and quarterly reports in terms of the Public Finance Management Act

The Audit Committee is satisfied with the content and quality of quarterly reports prepared and issued by the Accounting Authority. Due to the changes in the strategic direction of the Agency during the year, there were challenges associated with the reporting of the non-financial information.

3.6 Agency's compliance with legal and regulatory provisions

The Audit Committee fulfils an oversight role regarding the compliance with legal and regulatory provisions within the organisation; significant improvements, were noted during the year.

3.7 Internal Audit

The Audit Committee is responsible for ensuring that the organisation's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties. Furthermore, the committee oversees co-operation between the internal and the Auditor-General (AGSA), and serves as a link between the Board and these functions.

The Audit Committee considered and approved the Internal Audit Charter and is satisfied that the internal audit plan was executed accordingly.

The Internal Audit function reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the organisations' operations. The Head of internal audit is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the Audit Committee on a regular basis. The Head of Internal Audit has direct access to the Audit Committee, primarily through its chairperson.

The Audit Committee is satisfied that the internal audit function is operating effectively, and that it has addressed the risks pertinent to the CBRTA in its audits.

The Audit Committee is also responsible for the assessment of the performance of the internal audit function and the first review will be performed in August 2011.

N Mhlongo
Chairperson

20 July 2011

Report of the Auditor-General

TO PARLIAMENT ON THE CROSS-BORDER ROAD TRANSPORT AGENCY

Report of the Auditor-General on the Financial Statements

Introduction

1. I have audited the accompanying financial statements of the Cross-Border Road Transport Agency, which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 48 to 76.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these 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 management determines 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. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. 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.

5. 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.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Penalty income and trade receivables

7. There was an inadequate system of control over penalty income and trade receivables, on which I could not rely for the purpose of my audit, and there were no satisfactory audit procedures that I could perform to obtain reasonable assurance that all penalty income was properly recorded and that trade receivables was complete. Consequently, I was unable to obtain sufficient, appropriate audit evidence to satisfy myself as to the completeness of penalty income of R15 022 000 (2010: R12 677 696) and the completeness of trade receivables of R921 470 (2010: R0 restated).

Qualified opinion

8. In my opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Cross-Border Road Transport Agency as at 31 March 2011, 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 matters

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

Restatement of corresponding figures

10. As disclosed in note 26 to the financial statements, the corresponding figures for 31 March 2010 have been restated as a result of an error discovered during 2011 in the financial statements of the Cross-Border Road Transport Agency at, and for the year ended, 31 March 2010.

Irregular expenditure

11. The public entity incurred irregular expenditure of R9 114 501 (2010: R39 444 159) as the expenditure was in contravention of the PFMA relating to supply chain management.

Fruitless and wasteful expenditure

12. The public entity incurred fruitless and wasteful expenditure of R638 015 relating to inadequate planning and project management of office renovations, R6 735 relating to cancellation fees, R3 605 relating to interest on overdue accounts, R961 relating to an incorrect payment to an employee at termination date that could not be recovered and R35 331 relating to a payment to a Board member after the date of resignation.

Report on other legal and regulatory requirements

13. In accordance with the PAA and in terms of General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on page 47 and material non-compliance with laws and regulations applicable to the public entity.

Pre-determined objectives

Presentation of information

14. The following criteria was used to assess presentation:
    - Performance against predetermined objectives is reported using the National Treasury guidelines.

15. The following audit finding relates to the above criteria:

    Reasons for major variances between planned and actual reported indicators were not provided in the report on pre-determined objectives

    Adequate explanations for major variances between the planned and the actual reported indicators for the objectives were not provided, as required in terms of the relevant reporting guidance. In total, 100% of the reported indicators with major variances were not explained.

Usefulness of information

16. The following criteria were used to assess usefulness:
    - Consistency: Objectives, indicators and targets are consistent between planning and reporting documents; and
    - Measurability: Indicators are well-defined and verifiable, and targets are specific, measurable and time bound.

17. The following audit findings relate to the above criteria:

    Reported objectives and indicators were not consistent when compared to planned objectives and indicators

    Reported performance against pre-determined objectives and indicators were not consistent with the approved strategic plan.

    Changes to planned indicators were not approved

    Additional indicators were reported on as opposed to the approved strategic plan. These additional indicators were not approved subsequent to the strategic planning process.

17. The following audit findings relate to the above criteria: continued

Planned and reported indicators were not well-defined

For the objectives, 100% of the planned and reported indicators were not clear, as unambiguous data definitions were not available to allow for data to be collected consistently.

Planned and reported indicators were not specific, measurable and time bound.

For the objectives, 100% of the planned and reported indicators were not:

- specific in clearly identifying the nature and the required level of performance;
- measurable in identifying the required performance;
- time bound in specifying the time period or deadline for delivery.

Reliability of information

18. The following criteria were used to assess reliability:
    - Validity: Actual reported performance occurred and pertains to the entity;
    - Accuracy: Amounts, numbers and other data relating to reported actual performance have been recorded and reported appropriately; and
    - Completeness: All actual results and events that should have been recorded have been included in the annual performance report.

19. The following audit findings relate to the above criteria:

The validity, accuracy and completeness of reported performance against indicators could not be confirmed, as inadequate supporting source information was provided

For the selected objectives, the validity, accuracy and completeness of 100% of the reported indicators could not be established, as sufficient appropriate audit evidence could not be provided.

The content of the strategic plan was incomplete

The strategic plan did not include key performance measures for assessing the entity's performance in delivering the desired outcomes and objectives, as required by Treasury Regulation 30.1.3.

Compliance with laws and regulations

Annual financial statements

20. The accounting authority submitted financial statements for auditing that were not prepared in all material aspects in accordance with generally accepted accounting practice and supported by full and proper records, as required by sections 55(1)(a) and (b) of the PFMA. Certain material misstatements identified by the Auditor-General of South Africa with regard to capital assets, liabilities and expenditure were subsequently corrected, however the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion in contravention of section 55(2)(a) of the PFMA.

Expenditure management

21. The accounting authority did not take effective and appropriate steps to prevent irregular, fruitless and wasteful expenditure, as per the requirements of section 51(1)(b)(ii) of the PFMA.

Procurement and contract management

22. The prospective supplier list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualify for listing and prospective suppliers were not invited to apply for such listing at least once a year as per the requirements of National Treasury Practice Note 8 of 2007/2008.

Internal Control

23. In accordance with the PAA and in terms of General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

Oversight responsibility regarding reporting and compliance

24. The accounting authority did not exercise sufficient oversight over the steps taken to mitigate the control deficiencies or implement action plans to address the issues that resulted in the prior year qualifications. This resulted in the repeat qualification on the completeness of penalty income and trade receivables, findings on pre-determined objectives, and non-compliance with laws and regulations.

Develop and monitor the implementation of action plans to address internal control deficiencies

25. Although an action plan was compiled to address the significant deficiencies identified previously, the plan was not adequately implemented to address the issues.

Financial and performance management

Proper record-keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

26. Inadequate record-keeping mechanisms were in place as documentation relating to penalty income, trade receivables and pre-determined objective reporting was not readily available and in some instances insufficient.

Controls over daily and monthly processing and reconciling of transactions

27. The lack of an appropriate, sufficient and adequate reconciliation process over penalty income and trade receivables contributed to the qualification on the completeness of penalty income and trade receivables.

Accuracy and completeness of the financial statements and report on pre-determined objectives

28. The financial statements contained a number of misstatements that were corrected. This was mainly due to staff members not fully complying with the requirements of the financial reporting framework and an inadequate review of the financial statements prior to submission for auditing.

29. Sufficient and appropriate audit evidence relating to the reported pre-determined objectives of the selected functional areas could not be obtained, as the system used for generating pre-determined objective information was not appropriate to facilitate the preparation of accurate and complete actual pre-determined objective information.

Monitoring of compliance with laws and regulations

30. The lack of an adequate monitoring system over the entity's compliance with laws and regulations resulted in instances of non-compliance. A number of issues, including those regarding irregular expenditure as a result of non-compliance with the PFMA relating to supply chain management, could have been prevented had compliance been properly reviewed and monitored.

Auditor-General

Pretoria
29 July 2011

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Accounting Authority statement of approval

for the financial year ended 31 March 2011

The financial statements as set out on pages 48 to 76 were presented to the Audit and Risk Committee on 24 May 2011 and were recommended for approval as such to the Board. The annual financial statements for the year ended 31 March 2011 were approved by the Board and are signed on its behalf by:

M Matete
Chairman of the Board
Accounting Authority (CBRTA)

29 June 2011

Financial overview

Financial Performance Overview

The financial sustainability of the Agency has been under severe pressure during the year under review as none of its revenue streams increased since 2003, coupled with cumulative inflationary and strategic increases in the expense base due to the operational requirements. The disclosed deficit as at 31 March 2011 was funded by accumulated surpluses as at 1 April 2010 of R11 978 082 and a management decision was taken to pursue growth within the ambit of available reserves.

The financial pressure is evident in the statement of financial performance reflecting an increase in operating income of 6% coupled with a 27% increase in the operating expense base. The operating loss and increased capital additions (mainly due to the office move in July 2010) are the main contributors of a decrease in cash and cash equivalents from R16 959 160 in 2010 to R3 020 705 in 2011. The accumulated cash reserves were depleted during the financial year, resulting in a phased in approach of strategic and capital projects in the 2011/2012 financial year.

Trade receivables to the total value of R1 134 110 was corrected as a prior year error as the revenue recognition was not done in accordance with the accounting policy that was implemented at the time.

The prior year disclosure resulted in a duplication of revenue and the completeness of the balance could not be verified. Trade receivables are now recorded when there is a matching notice book entry and J14 (closed case docket) but outstanding deposit due.

Irregular expenditure as a result of non-adherence to supply chain management processes and delegations were submitted to the Board to condone. It must be noted that these expenses did not include fruitless and wasteful expenditure but was mainly as a result of impractical delegations and the absence of a supply chain management policy.

Funding

The Agency embarked on the development of a funding model during the year to ensure financial sustainability in alignment with the strategic direction of the Agency. This project included the development of an activity-based costing model based on re-engineered business processes. The process also analysed cost drivers, time and capacity analysis culminating in the development of a funding model, budget and revised permit tariffs as presented to the Parliamentary Portfolio Committee and approved by the Minister of Transport on 31 March 2011.

Statement of financial position

at 31 March 2011

	Notes	2011 R	2010 R
ASSETS			
Non-current assets			
Property, plant and equipment	3	6 403 235	1 308 310
Intangible assets	4	485 929	207 138
		6 889 164	1 515 448
Current assets			
Trade and other receivables	6	1 442 640	465 308
Cash and cash equivalents	7	3 020 705	16 959 160
		4 463 345	17 424 468
Total assets		11 352 509	18 939 916
LIABILITIES			
Non-current liabilities			
Post-retirement medical benefits	8	1 658 000	1 660 000
Non-current portion of finance leases	9	–	17 792
		1 658 000	1 677 792
Current liabilities			
Trade and other payables	10	5 892 950	4 265 580
Current portion of finance leases	9	17 792	18 462
Sundry liabilities	11	1 000 000	1 000 000
		6 910 742	5 284 042
Total liabilities		8 568 742	6 961 834
Net assets		2 783 767	11 978 082
Accumulated surplus		2 783 767	11 978 082
Total net assets and liabilities		11 352 509	18 939 916

Statement of financial performance for the year ended 31 March 2011

	Notes	2011 R	2010 R
Revenue			
Permit income: Exchange revenue	12	42 487 575	41 415 075
Penalty income: Non-exchange revenue	13	15 022 000	12 677 696
Expenses			
Employee costs	15	(42 611 452)	(34 126 391)
Operating expenses	16	(24 249 896)	(18 429 936)
Operating (deficit)/surplus		(9 351 773)	1 536 444
Other income	14	788 873	1 050 249
Interest received	19	589 125	891 291
Depreciation and amortisation	3, 4	(1 096 381)	(283 173)
Finance costs	20	(4 910)	(7 199)
Loss on sale of assets and liabilities		(119 249)	(141 121)
(Deficit)/Surplus for the year		(9 194 315)	3 046 491

Statement of changes in net assets

for the year ended 31 March 2011

	Notes	Reserves R	Accumulated surplus R	Total net assets R
Published balance at 1 April 2009		2 074 814	8 026 972	10 101 786
Prior year error: Penalty income	26	–	(1 170 195)	(1 170 195)
Restated balance at 1 April 2009		2 074 814	6 856 777	8 931 591
Transfer from reserves to accumulated funds		(2 074 814)	2 074 814	–
Prior year error: Penalty income	26	–	36 085	36 085
Surplus for the year		–	3 010 406	3 010 406
Balance at 1 April 2010		–	11 978 082	11 978 082
Deficit for the year		–	(9 194 315)	(9 194 315)
Balance at 31 March 2011		–	2 783 767	2 783 767

Statement of cash flows

for the year ended 31 March 2011

	Notes	2011 R	2010 R
Cash flow from operating activities			
Sales of goods and services		57 321 116	54 967 117
Interest income	19	589 125	891 291
Employee costs		(42 611 452)	(34 126 391)
Suppliers		(22 651 566)	(17 057 145)
Net cash flow from operating activities	21	(7 352 777)	4 674 872
Cash flow from investing activities			
Purchase of property, plant and equipment	3	(6 282 991)	(923 322)
Disposal of property, plant and equipment		23 968	54 685
Purchase of other intangible assets	4	(306 193)	(26 447)
Net cash flow from investing activities		(6 565 216)	(895 084)
Cash flow from financing activities			
Movement in long-term liability	8	(2 000)	(143 000)
Proceeds from borrowing	9	(18 462)	(15 748)
Net cash flow from financing activities		(20 462)	(158 748)
Total cash movement for the year		(13 938 455)	3 621 040
Cash at the beginning of the year		16 959 160	13 338 120
Cash and cash equivalents at the end of the year		3 020 705	16 959 160

Notes to the annual financial statements

for the year ended 31 March 2011

1. ACCOUNTING POLICIES

1.1 Basis of preparation and presentation of the annual financial statements

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 55(1)(b) of the Public Finance Management Act (Act No.1 of 1999), as amended by Act No. 29 of 1999. Assets, liabilities, revenues and expenses have not been offset, except where offsetting is required or permitted by a Standard of GRAP. The accounting policies are applied and are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy. The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for financial instruments that are initially (and in certain circumstances subsequently) measured at fair value. Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The annual financial statements are presented in South African Rand that is the Agency's trading currency.

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.

<u>Standards of Generally Recognised Accounting Practices (GRAP) approved and effective by the Accounting Standards Board and applicable to the Agency:</u>

GRAP 1: Presentation of Financial Statements
GRAP 2: Cash Flow Statements
GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 9: Revenue from Exchange Transactions
GRAP 13: Leases
GRAP 14: Events After the Reporting Date
GRAP 17: Property, Plant and Equipment
GRAP 19: Provisions, Contingent Liabilities and Contingent Assets
GRAP 100: Non-current Assets Held for Sale and Discontinued Operations
GRAP 102: Intangible Assets

<u>The following statement of GRAP issued by the Accounting Standards Board are in issue but not applicable to the Agency:</u>

GRAP 4: The effects of Changes in Foreign Exchange Rates
GRAP 5: Borrowing Costs
GRAP 6: Consolidated and Separate Financial Statements
GRAP 7: Investments in Associates
GRAP 8: Interests in Joint Ventures
GRAP 10: Financial Reporting in Hyperinflationary Economies
GRAP 11: Construction Contracts
GRAP 12: Inventories
GRAP 16: Investment Property
GRAP 101: Agriculture

IFRS approved and effective and applicable to the Agency:

IFRS 7 (AC 144): Financial Instruments: Disclosures

IAS approved, effective and applicable to the Agency:

IAS 19 (AC 166): Employee Benefits

IAS 32 (AC 125): Financial Instruments: Presentation

IAS 39 (AC 133): Financial Instruments: Recognition and Measurement

Other standards approved and effective and applicable to the Agency:

GRAP 1: Applying the Probability Test on Initial Recognition of Exchange Revenue

IPSAS 20: Related Party Disclosures

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period or in the period of the revision and future period if the revision affects both current and future periods. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following aspects:

Property, plant and equipment

The estimates of property, plant and equipment useful lives and residual values have been based on all information available to management at the reporting date.

Intangible assets

The useful lives of the intangible assets and amortisation charges have been based on all information available to management at the reporting date.

Impairment of non-financial assets

The Agency's non-financial assets are reviewed at each reporting date or whenever events or changes in circumstances indicate that the carrying value may not be recoverable, to determine whether there is any indication of impairment. An impairment test is performed on all intangible assets not yet in use and intangible assets with indefinite useful lives at each reporting date. The impairment charged to the statement of financial performance is the excess of the carrying value over the recoverable amount. Recoverable amounts are estimated for individual assets or, where an individual asset cannot generate cash inflows independently, the recoverable amount is determined for the larger cash-generating unit to which the asset belongs. A previously recognised impairment will be reversed insofar as estimates change as a result of an event occurring after the impairment was recognised. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the statement of financial performance.

Trade and other receivables

Trade and other receivables are recognised at fair value and subsequently stated at amortised cost. An impairment is recognised when there is evidence that the Agency will not be able to collect all amounts due according to the original terms of the receivable. The amount of the impairment is charged to the statement of financial performance.

1. ACCOUNTING POLICIES continued

1.1 Basis of preparation and presentation of the annual financial statements continued

Leases

Finance leases: Leases where the agency assumes substantially all the benefits and risks of ownership, are classified as finance leases. Finance leases are capitalised as property, plant and equipment at the lower of fair value or 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 purpose of lease classification.

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

Provisions

A provision is recognised when the Agency has a legal or constructive obligation arising from a past event that will probably be settled, and a reliable estimate of the amount can be made. Long-term provisions are determined by discounting the expected future cash flows to their present value. The increase in discounted long-term provisions as a result of the passage of time is recognised as a finance expense in the statement of financial performance.

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 the defined benefit obligation is determined by actuaries and based on the market conditions at the reporting date.

Fair value

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

1.2 Change in accounting estimates

To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of net assets, it shall be recognised by adjusting the carrying amount of the related asset, liability or net assets item in the period of the change.

The recognition of the effect of a change in an accounting estimate means that the change is applied to transactions, other events, and conditions from the date of change in estimate. A change in an accounting estimate will affect the current period's surplus or deficit or the surplus or deficit of both the current period and future periods. The effect, if any, on future periods is recognised as revenue or expense in those future periods.

1.3 Property, plant and equipment

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

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

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. 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 nominal cost of an asset represents the fair value as at date of acquisition.

Property, plant and equipment is depreciated to their residual values on a straight-line basis over their useful lives.

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

Item	Average useful life
Computer equipment	9 years
Furniture and fittings	12 years
Office equipment	12 years
Leasehold improvements	5 years
Mobile offices	10 years
Signage	10 years

The residual value and the useful life of each asset are reviewed at each financial period-end and adjustments are made prospectively, where appropriate.

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 shall be depreciated separately. The depreciation method is reviewed on an annual basis.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the 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 agreements, if any, and the carrying amount of the item.

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost 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 the asset for its intended use. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future 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.

The nominal cost of an asset represents the fair value as at date of acquisition. Amortisation commences when the asset is ready for its intended use.

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;
- there is an intention to complete and use it;
- there is an ability to use it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Notes to the annual financial statements continued

for the year ended 31 March 2011

1. ACCOUNTING POLICIES continued

1.4 Intangible assets continued

Intangible assets are amortised to their residual values on a straight-line basis over their useful lives.

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation expense on intangible assets is recorded in surplus or deficit.

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. Amortisation is not provided for these intangible assets but is tested for impairment on an annual basis. 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 every period-end and adjusted for prospectively.

An intangible asset and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of intangible assets is included in the surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

Item	Useful life
Computer software	3 years

1.5 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the Agency becomes a party to the contractual provisions of the instruments. The Agency classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Regular purchases and sales of financial assets are recognised on the trade date: The date on which the Agency commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of financial performance. All other financial instruments are initially measured at fair value plus transaction costs.

Financial assets and liabilities are derecognised when the rights to receive cash flows have expired or have been transferred and the Agency has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

Financial instruments

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement in the provision is recognised in the Statement of Financial Performance. Financial instruments are initially recognised are fair value, including transaction cost. An assessment is performed at each reporting date to determine whether objective evidence exists that a financial asset is impaired.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement. Trade payables is classified as short-term financial liabilities unless an entity has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Trade payables is derecognised when the obligation in the contract is discharged, cancelled or has expired. Premiums or discounts arising from the difference between the fair value of debt raised and the amount repayable at maturity date are charged to the statement of financial performance as finance expenses based on the effective interest rate method.

Cash and cash equivalents

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

1.6 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. The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependant on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

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 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 on the remaining balance of the liability.

The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned. The depreciation recognised for depreciable leased assets is calculated in accordance with GRAP 13: Leases.

A depreciable leased asset is depreciated over:

- its useful life if there is reasonable certainty that the lessee will obtain ownership by the end of the lease term;
- the shorter of: the assets useful life; or the lease term; and
- if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term.

The Agency applies the applicable policy to determine whether the leased asset has become impaired.

1. ACCOUNTING POLICIES continued

1.6 Leases continued

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.

1.7 Impairment of assets

Irrespective of whether there is any indication of impairment, the Agency also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately as a deficit.

The recoverable amount is the higher of the fair value less costs to sell and value in use.

An impairment loss is reversed if there has been a change in the assumptions used to determine the recoverable amount. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

Financial assets, other than those at fair value through surplus or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1.8 Employee benefits

Short-term employee benefits

Short-term employee benefits are those that are due to be settled within twelve months after the end of the period in which the services have been rendered. Remuneration to employees is charged to the statement of financial performance. An accrual is made for accumulated leave, incentive bonuses and other short-term employee benefits. The Agency subscribes to one defined contribution and one defined benefit plan.

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;
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity 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.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The defined plan is a pension and provident fund plan under which the Agency pays fixed monthly contributions to a separate entity that will have legal or constructive obligations to pay further contribution if the fund does not hold sufficient assets to pay all the employee benefits relating to the employee service in the current and prior period. The Agency pays contributions to a publicly administered provident fund on a mandatory, contractual or voluntary basis. Once the contribution is paid, the Agency has no further obligations.

The retirement funds are governed by the Pension Funds Act, 1956, of South Africa and substantially all full-time employees of the Agency are members of either one of the third party's retirement benefits plan or the Government Employees Pension Fund.

Defined benefit plans

The Agency provides post-retirement healthcare benefits to their retirees. The entitlement to post-retirement healthcare benefits is based on the employees remaining in service up to retirement age and completing a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans.

Independent qualified actuaries carry out annual valuations of these obligations. All actuarial gains and losses are recognised immediately in the statement of financial performance. The actuarial valuation method used to value the obligations is based on market conditions. Future benefits are projected using specific actuarial assumptions and the liability to in-service members is accrued over their expected working lifetime. These obligations are unfunded.

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;
- 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:

1. ACCOUNTING POLICIES continued

1.8 Employee benefits continued

Actuarial assumptions continued

- 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.

The past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The defined benefit liability comprises the present value of the defined benefit obligation less past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

1.9 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 will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. 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.

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 certain that the reimbursement will be received if the Agency settles the obligation and is then recognised in the statement of financial performance. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

Employees' entitlement to annual leave is recognised when employees rendered the service as per the individual employment contract.

A contingent liability is a possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably.

1.10 Revenue recognition

Revenue includes the gross inflows of economic benefits or service potential received and receivable and is measured at the fair value of the consideration received or receivable and when the outcome of a transaction involving the rendering of services can be estimated reliably.

Revenue will be recognised by the stage of completion of a transaction by applying the percentage of completion method. Under this method, revenue is recognised in the reporting periods in which the services are rendered. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable. When the outcome of a transaction cannot be estimated reliably and it is not probable that the costs incurred will be recovered, revenue is not recognised and the costs incurred are recognised as an expense.

Exchange revenue

Permit income

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 4 of 1998.

Application fees

Application fees are non-refundable and is recognised on receipted amounts. An administration fee of 15% is charged for the handling of unsuccessful applications.

Courier and priority mail

Revenue is recognised on receipt of charges from the operators and measurable based on the receipted amount.

Non-exchange revenue

Penalty income

Penalty income consists of penalties paid in terms of court orders. Revenue from penalty fines is recognised when a Notice Book entry is matched with a J14 or Admission of Guilt as per reliable data from the law enforcement database maintained by the Agency. Revenue is measured at the face value of the notice or Admission of Guilt and recognised when it is probable that economic benefits will flow to the agency.

Interest income

Interest is accrued on a time : proportion basis taking into account the principal and effective interest over the period to maturity and comprises of interest on the investment of surplus funds in a current account with an approved banking institution. 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 before it is recognised as interest income.

Services rendered

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

1.11 Comparative figures

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

Notes to the annual financial statements continued

for the year ended 31 March 2011

1. ACCOUNTING POLICIES continued

1.12 Fruitless and wasteful and irregular expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with, a requirement of any applicable legislation including the Public Finance Management Act.

All irregular and fruitless and wasteful expenditures are charged against the surplus in the period in which they occur. Where the Agency has reason to believe that no benefit was received by incurring this expenditure, reasonable steps are taken to ensure that such losses are recovered.

1.13 Related party

Parties are considered to be related if one party, directly or indirectly, has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the Agency.

1.14 Budget information

The Agency presents its approved budget on a cash basis and the financial statements on the accrual basis. The budget is approved on a cash basis by functional classification for the same period covering the financial statements and a comparison of budget and actual amounts are publicly disclosed.

2. NEW STANDARDS AND INTERPRETATIONS

At the date of these annual financial statements there are standards and interpretations in issue, but not yet effective that may have an impact on future financial statements and include:

Standard	Title	Effective date Commencing on or after
GRAP 18	Segment Reporting (Amendment)	1 April 2011
GRAP 21	Impairment of non-Cash-generating Assets (Amendment)	1 April 2011
GRAP 23	Revenue from non-Exchange Transactions (Amendment)	1 April 2011
GRAP 24	Presentation of Budget Information in Financial Statements	1 April 2011
GRAP 25	Employee Benefits (Amendment)	1 April 2011
GRAP 26	Impairment of Cash-generating Assets (Amendment)	1 April 2011
GRAP 103	Heritage Assets (Amendment)	1 April 2011
GRAP 104	Financial Instruments (Amendment)	1 April 2011

The Agency shall apply Standards of GRAP for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the PFMA. This date has not yet been published as at the date of this set of annual financial statements.

It is anticipated that the impending changes, as indicated above, will have a minor impact on the Agency. Although GRAP 23 is not yet applicable, the Agency applies the principles included therein.

3. PROPERTY, PLANT AND EQUIPMENT

	2011			2010		
	Cost/ Valuation R	Accumulated depreciation R	Carrying value R	Cost/ Valuation R	Accumulated depreciation R	Carrying value R
Computer equipment	1 653 772	(344 103)	1 309 669	880 389	(288 041)	592 348
Furniture and fittings	1 192 900	(114 025)	1 078 875	378 079	(269 819)	108 260
Office equipment	720 029	(237 697)	482 332	721 976	(114 274)	607 702
Leasehold improvements	4 068 206	(600 488)	3 467 718	–	–	–
Mobile offices	24 750	(11 042)	13 708	–	–	–
Signage	53 197	(2 264)	50 933	–	–	–
Total	7 712 854	(1 309 619)	6 403 235	1 980 444	(672 134)	1 308 310

Reconciliation of property, plant and equipment – 2011

	Opening balance R	Additions R	Disposals R	Adjustments R	Depreciation R	Total R
Computer equipment	592 348	1 027 985	(61 866)	4 988	(253 786)	1 309 669
Furniture and fittings	108 260	1 061 702	(31 177)	10 198	(70 108)	1 078 875
Office equipment	607 702	71 901	(50 173)	8 944	(156 042)	482 332
Leasehold improvements	–	4 068 206	–	–	(600 488)	3 467 718
Mobile offices	–	–	–	–	13 708	13 708
Signage	–	53 197	–	–	(2 264)	50 933
Total	1 308 310	6 282 991	(143 216)	24 130	(1 068 980)	6 403 235

Reconciliation of property, plant and equipment – 2010

	Opening balance R	Additions R	Disposals R	Adjustments R	Depreciation R	Total R
Computer equipment	372 490	385 435	(78 887)	–	(86 690)	592 348
Furniture and fittings	123 213	20 765	(3 232)	–	(32 486)	108 260
Office equipment	250 945	517 122	(107 372)	–	(52 993)	607 702
Total	746 648	923 322	(189 491)	–	(172 169)	1 308 310

Leasehold improvements were incurred during the financial year as the Head Office moved from Hatfield, Pretoria to Building 3, Menlyn, Pretoria on 1 August 2010 and Building 5 on 15 December 2010.

Adjustments at 31 March 2011 represent the cost price at re-assessed values of assets that were transferred by the Department of Transport in prior years. This amount is included in operating expenses.

Notes to the annual financial statements continued

for the year ended 31 March 2011

4. INTANGIBLE ASSETS

	2011			2010		
	Cost/ Valuation R	Accumulated amortisation R	Carrying value R	Cost/ Valuation R	Accumulated amortisation R	Carrying value R
Computer software	1 642 880	(1 156 951)	485 929	1 336 687	(1 129 549)	207 138
Total	1 642 880	(1 156 951)	485 929	1 336 687	(1 129 549)	207 138

Reconciliation of intangible assets – 2011

	Opening balance R	Additions R	Disposals R	Adjustments R	Amortisation R	Total R
Computer software	207 138	306 193	–	–	(27 402)	485 929
Total	207 138	306 193	–	–	(27 402)	485 929

Reconciliation of intangible assets – 2010

	Opening balance R	Additions R	Disposals R	Adjustments R	Amortisation R	Total R
Computer software	298 010	26 447	(6 311)	–	(111 008)	207 138
Total	298 010	26 447	(6 311)	–	(111 008)	207 138

Adjustments relates to the re-estimation of the useful lives of the assets. Refer to note 5.

5. CHANGE IN ESTIMATE: USEFUL LIFE OF ASSET REVIEWED

A change in the estimated useful life of property, plant and equipment as well as intangible assets as at 31 March 2011 have resulted in the following change in depreciation and amortisation for the year:

Depreciation: Property, plant and equipment:	R
• According to initial estimated useful life	1 263 934
• According to re-estimated useful life	(1 309 619)
Increase in depreciation provided	(45 685)
Amortisation: Intangible assets:	
• According to initial estimated useful life	1 277 892
• According to re-estimated useful life	(1 156 951)
Reduction in amortisation provided	120 941

6. TRADE AND OTHER RECEIVABLES

	2011 R	2010 R
Trade receivables: Non-exchange revenue	921 470	–
	521 170	465 308
Other receivables	556 501	465 308
Impairment of receivable: B Ally	(35 331)	–
	1 442 640	465 308
Impairment of receivables		
Balance at beginning of year	–	–
Raised during year	(35 331)	–
Utilised during year	–	–
Balance at end of year	(35 331)	–
Age analysis of trade receivables		
Not past due date	896 570	–
Past due 0 – 30 days	–	–
Past due 31 – 150 days	24 900	–
	921 470	–

The prior year balance includes a correction of a prior year error pertaining to the discovery of inaccuracies in the disclosure of Trade Receivables and Penalty Income: Non-Exchange Revenue, as disclosed in note 13.

The carrying amount approximates fair value because of the short period to maturity of these receivables.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 16). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

7. CASH AND CASH EQUIVALENTS

	2011 R	2010 R
Cash on hand	1 160 910	649 950
Short-term deposits	1 859 795	16 309 210
	3 020 705	16 959 160

The carrying value as at the end of the period approximate the fair value due to the short-term nature of the financial instrument.

Cash equivalents and short-term deposits are placed with high-credit quality financial institutions. The exposure to credit risk is the carrying amount of each class of cash and cash equivalents.

Included in cash on hand is an amount of R1 000 000 relating to a grant received from the Department of Transport during the 2009 financial year. Refer to note 11.

8. POST-RETIREMENT MEDICAL BENEFITS

The present value of this commitment is valued by an independent actuary, based on an average contribution of R1 014 per month. The provision at 31 March 2010 and 31 March 2011 is based on the actuarial valuation carried out by ABSA Consultants and Actuaries.

	2011 R	2010 R
Liabilities in respect of:		
– Members in active employment	433 000	520 000
– Current continuation member	1 225 000	1 140 000
	1 658 000	1 660 000

Reconciliation of defined benefit obligation:

	2011 R	2010 R	2009 R	2008 R	2007 R
Present value of obligation	1 660 000	1 803 000	1 999 000	2 463 000	2 422 000
Fair value of obligation	(1 658 000)	(1 660 000)	(1 803 000)	(1 999 000)	(2 463 000)
	2 000	143 000	196 000	464 000	(41 000)
Unrecognised actuarial losses	59 604	200 143	289 997	556 923	60 244
Interest	(150 000)	(160 000)	(189 000)	(190 000)	(180 000)
Current service cost	(9 000)	(8 000)	(7 000)	(12 000)	(16 000)
Benefits paid	101 396	110 857	102 003	109 077	94 756
Expense recognised in statement of financial performance	2 000	143 000	196 000	464 000	(41 000)

	2011 %	2010 %
The principal actuarial assumptions used for accounting purposes were:		
Annual increase in healthcare costs	9,30	8,50
Investment return	9,15	9,00
General inflation rate	6,30	5,50
Discount rate	9,15	9,00
Subsidy increase rate	0,00	0,00

The effect of change in value of the liability for assumed subsidy increases of 1%, 3% and 5% annually is as follows:

Accrued liabilities:	1% point increase R	2% point increase R	3% point increase R
Liabilities in respect of:			
Members in active employment	482 000	612 000	805 000
Current continuation members	1 316 000	1 541 000	1 844 000
Total	1 798 000	2 153 000	2 649 000
% change in accrued liability:			
Members in active employment	11,30%	41,30%	85,90%
Current continuation members	7,50%	25,80%	50,60%

8. POST-RETIREMENT MEDICAL BENEFITS continued

A one percentage point change in the assumed rate of increase in healthcare costs would have the following effects:

2011	Increase R	Decrease R
Effect on the aggregate current service cost and interest cost	(4 327)	2 402
Effect on the defined benefit obligation	140 437	(121 644)
	136 110	(119 242)
2010		
Effect on the aggregate current service cost and interest cost	2 402	(4 327)
Effect on the defined benefit obligation	(121 644)	140 437
	(119 242)	136 110
A one percentage point change in the assumed discount rate would have the following effects:		
2011		
Effect on the aggregate current service cost and interest cost	(4 463)	2 677
Effect on the defined benefit obligation	(125 341)	145 208
	(129 804)	147 885
2010		
Effect on the aggregate current service cost and interest cost	(4 468)	2 680
Effect on the defined benefit obligation	(125 492)	145 383
	(129 960)	148 063

Number of members in active employment that is entitled to a subsidy after continuation as at 31 March 2011, compared to the members as at 31 March 2010 is as follows:

	2011	2010
Male members	5	6
Female members	1	1
Total	6	7
Number of continuation members as at 31 March 2011, compared to the continuation members as at 31 March 2010 is as follows:		
Male members	9	8
Female members	2	2
Total	11	10

The Agency's best estimate of contributions expected during the annual period beginning after the reporting period is R133 848, consisting of 11 members contributing R1 014 per month.

Parliament participates in the Government Employees Pension Fund (GEPF) which was established by the Government Employees Pension Law of 1996.

This plan is not treated as a defined benefit plan as defined by GRAP 25: Employee Benefits, but is accounted for as a defined contribution plan. This is in line with the exemption in GRAP 25 par. 31 which states that, where information required for proper defined benefit plan accounting is not available in respect of multi-employer and State plans, these should be accounted for as defined contribution plans. Parliament has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

9. FINANCE LEASE LIABILITIES

Leased assets	2011 Cost R	2011 Accumulated depreciation R	2011 Carrying value R	2010 Cost R	2010 Accumulated depreciation R	2010 Carrying value R
Computer equipment	27 196	(7 245)	19 951	27 196	(3 166)	24 030
Total	27 196	(7 245)	19 951	27 196	(3 166)	24 030

Reconciliation of leased assets – 2011

Leased assets	Opening balance R	Disposals R	Depreciation R	Change in estimate R	Total R
Computer equipment	30 362	–	(4 079)	(5 449)	20 834
Total	30 362	–	(4 079)	(5 449)	20 834

Reconciliation of leased assets – 2010

Leased assets	Opening balance R	Disposals R	Depreciation R	Change in estimate R	Total R
Computer equipment	53 895	(25 664)	2 131	–	30 362
Total	53 895	(25 664)	2 131	–	30 362

Reconciliation between the total of future minimum lease payments at the end of the reporting period, and their present value:

	2011 R	2010 R
Represents the present value of the minimum lease payments discounted at the effective interest rate	17 792	36 254
Less: Portion payable within the following year transferred to current liabilities	(17 792)	(18 462)
Total	–	17 792

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2011 Minimum payments R	2011 Present value of payments R	2010 Minimum payments R	2010 Present value of payments R
Within one year	19 097	17 792	22 947	18 462
After one year but not more than five years	–	–	19 123	17 792
Total minimum lease payments	19 097	17 792	42 070	36 254
Less: Amounts representing finance charges	(1 305)	–	(5 816)	–
Total	17 792	17 792	36 254	36 254

The Agency has finance lease contracts for computer equipment. These leases have no terms of renewal, purchase options and escalation clauses, however all computer equipment will remain the property of the Agency subject to 36-month contracts. Future minimum lease payments under finance leases are presented with the present value of the net minimum lease payments as indicated above.

10. TRADE AND OTHER PAYABLES

	2011 R	2010 R
Trade payables	1 152 168	729 040
Income received in advance	1 293 783	785 896
Other accrued expenses	3 446 999	2 750 644
Employee 13th cheque provision	713 046	523 534
Pending CCMA and Labour Court cases	300 000	207 468
Workman's Compensation	142 549	92 064
Leave pay accrual	1 753 441	1 725 168
Salary advances	662	–
Operating leases	537 301	202 410
	5 892 950	4 265 580

The carrying value as at the end of the period approximate the fair value due to the short-term nature of the financial instrument.

11. SUNDRY LIABILITIES

	2011 R	2010 R
Opening balance as at the beginning of the year	1 000 000	1 000 000
Closing balance at year-end	1 000 000	1 000 000

The above Government grant is recognised as a sundry liability on the basis that it is to be applied for capital expenditure. The funding will be utilised as soon as approval is received from the Department of Transport.

12. PERMIT INCOME: EXCHANGE REVENUE

	2011 R	2010 R
Permit issuing fees	30 132 905	29 075 385
Permit application fees	12 354 670	12 339 690
Total	42 487 575	41 415 075

13. PENALTY INCOME: NON-EXCHANGE REVENUE

	2011 R	2010 R
Current year	14 312 800	12 677 696
Prior year	709 200	–
	15 022 000	12 677 696

Prior year income is disclosed at 31 March 2011 due to a change in accounting policy for penalty income that was applied from 1 April 2011 and the correction of prior year errors pertaining to trade receivables as disclosed under note 26. A decision was taken to disclose prior year income in the current financial year as these amounts could not be verified against the incorrect trade receivables amount as at 31 March 2010. Management envisages that the disclosure will be isolated and is due to the transition of data between the previous recognition and the recognition that will in future be used based on data as managed per the prosecution database that was implemented during the current financial year. Included in the current year income is an amount of R921 470 that were due by the magistrates courts at 31 March 2011.

14. OTHER INCOME

	2011 R	2010 R
Postage, administrative and priority mail charges	778 873	1 019 963
Tender documents sold	–	10 850
Donations received	10 000	19 436
	788 873	1 050 249

15. EMPLOYEE COSTS

	2011 R	2010 R
Basic remuneration	29 206 895	21 092 704
Medical costs	1 958 033	1 781 796
Provident and pension fund contributions	3 780 925	3 055 450
UIF	217 166	188 917
13th cheque payments	2 355 716	2 134 993
Travel allowances paid	3 588 713	3 666 715
Leave pay provision charge	229 412	1 106 650
Board remuneration	1 005 360	994 471
Danger allowance	208 120	201 402
Night shift allowance	63 112	46 293
Post-retirement medical benefit gain	(2 000)	(143 000)
	42 611 452	34 126 391

Remuneration of Senior Management

	2011				
Position	Annual remuneration R	Lump sum payments R	Total allowances R	Acting allowance R	Total costs R
Chief Executive Officer (appointed 1 April 2010)	1 337 662	–	27 500	–	1 365 162
Executive: RTI (appointed 1 June 2010)	559 148	–	12 000	–	571 148
Executive: Regulatory and Legal Services	712 103	–	14 400	–	726 503
Executive: Facilitation and Industry Development (appointed 10 May 2010)	706 347	–	13 200	–	719 547
Chief Financial Officer (Former)	338 580	428 988	6 055	–	773 623
Chief Financial Officer (appointed 1 November 2010)	406 811	–	6 000	–	412 811
Executive: Corporate Services (Former)	163 078	66 886	5 127	–	235 091
Executive: Corporate Services (appointed 1 November 2010)	342 110	–	14 300	–	356 410
	4 565 839	495 874	98 582	–	5 160 295

15. EMPLOYEE COSTS continued

Position	Annual remuneration R	Lump sum payments R	2010 Total allowances R	Acting allowance R	Total costs R
Chief Executive Officer (Former)	178 063	935 000	10 058	–	1 123 121
Chief Executive Officer (Caretaker CEO)	432 731	–	–	–	432 731
Chief Executive Officer (Acting)*	–	–	–	2 757	2 757
Chief Financial Officer (Former)	–	350 000	–	–	350 000
Chief Financial Officer (as at 31 March 2010)	560 068	–	82 800	2 893	645 761
Executive: Corporate Affairs and Communication	604 635	–	14 400	15 000	634 035
Executive: Legal, Risk and Compliance	483 026	–	148 656	–	631 682
Executive: Strategy, Advisory and Transformation	652 253	–	14 400	–	666 653
General Manager: Operations	578 870	–	10 800	12 313	601 983
	3 489 646	1 285 000	281 114	32 963	5 088 723

Remuneration of Board

Member	Position	2011 Travel costs R	2011 Remuneration R	2011 Total costs R	2010 Total costs R
PG Phalafala	Chairperson (term ended 30 September 2010)	990	73 063	74 053	190 808
M Matete	Chairperson (appointed 1 October 2010)	5 335	73 111	78 446	–
L Twalo*	Non-executive director	4 908	67 173	72 081	119 491
M du Preez	Non-executive director (Resigned)	2 520	56 806	59 326	120 621
N Ally	Non-executive director (Resigned)	–	45 195	45 195	103 224
H Dikgale	Non-executive director	3 256	114 348	117 604	143 597
B Horne*	Non-executive director	12 666	114 796	127 462	173 153
B Mpondo*	Non-executive director	5 367	113 613	118 980	122 167
GA Kelly	(appointed 1 October 2010)	1 038	56 806	57 844	–
S Singh	Non-executive director (appointed 1 October 2010)	–	56 806	56 806	–
		36 080	771 717	807 797	973 061

** Non-executive directors term ended on 31 March 2011*

16. OPERATING EXPENSES

	2011 R	2010 R
Included in operating expenses are the following:		
Impairment of other receivable	35 331	–

17. AUDITORS' REMUNERATION

	2011 R	2010 R
Internal audit fees	347 996	304 567
External audit fees	1 776 806	1 326 087
	2 124 802	1 630 654

18. OPERATING LEASE

The future minimum lease payments under non-cancellable operating leases are as follow:

	2011 R	2010 R
Payable within one year:		
Premises: Hatfield, Pretoria	–	590 264
Premises: Bellville, Cape Town	77 702	–
Premises: Menlyn, Pretoria (Building 3)	1 927 879	2 085 742
Premises: Menlyn, Pretoria (Building 5)	499 786	–
Equipment: Menlyn Pretoria (PABX)	76 086	–
Payable within two to five years:		
Premises: Menlyn, Pretoria (Building 3)	6 441 705	7 995 343
Premises: Menlyn, Pretoria (Building 5)	1 557 488	–
Equipment: Menlyn Pretoria (PABX)	205 266	–
Payable after five years:		
Premises: Menlyn, Pretoria (Building 3)	–	–
Premises: Menlyn, Pretoria (Building 5)	–	–
Actual operating lease expense	1 912 178	3 286 955

The Agency extended their operating lease agreement with Belsim (Pty) Limited which was for a period of 5 years commencing on 1 June 2004 and terminated on 31 July 2010. The lease is for rental of units H, I, J, K Parkfield Court, Erf 723, Hatfield, Pretoria. The rental/lease escalated annually on 1 June of each year with 8,5% or PPI whichever is the greater percentage. The rental escalations were compoundable annually on 1 June of each year.

The Agency entered into an operating lease agreement with Erf 49 Menlyn (Pty) Limited for a period of 5 years commencing on 1 February 2010 and terminating on 31 January 2015. The lease is for rental of Building 3, Glen Manor Office Park 138, Frikkie de Beer Street, Menlyn, Pretoria. The rental/lease shall escalate annually on 1 February of each year by 9%.

The Agency entered into an operating lease agreement with Erf 49 Menlyn (Pty) Limited for a period of 4.5 years commencing on 1 December 2010 and terminating on 31 January 2015. The lease is for rental of Building 5, Glen Manor Office Park, Frikkie de Beer Street, Menlyn, Pretoria. The rental/lease shall escalate annually on 1 February of each year by 9%.

19. INTEREST RECEIVED

	2011 R	2010 R
Interest received	589 125	891 291

Interest received comprises interest earned on bank balances.

20. FINANCE COST

	2011 R	2010 R
Finance charges: Finance lease	1 305	5 816
Interest paid (fruitless and wasteful expenditure)	3 605	1 383
Per cash flow statement	4 910	7 199

21. CASH GENERATED FROM (USED IN) OPERATIONS

	2011 R	2010 R
(Deficit)/Surplus for the year	(9 194 315)	3 046 491
Adjustments for:		
Depreciation and amortisation	1 096 381	283 173
Adjustment to cost of Department of Transport assets	(24 130)	–
Loss on sale of assets	119 249	141 121
Changes in working capital:		
– Trade and other receivables	(977 332)	(175 903)
– Trade and other payables	1 627 370	1 379 990
	(7 352 777)	4 674 872

22. RECONCILIATION OF BUDGET SURPLUS WITH SURPLUS IN THE STATEMENT OF FINANCIAL PERFORMANCE

	2011 R	2010 R
Net (deficit)/surplus per the statement of financial performance	(9 194 315)	3 046 491
Adjustments for:		
Deficit on sale of assets	119 249	141 121
Finance charges	4 910	7 198
Fruitless and wasteful expenditure	645 524	535 314
Under-recovery of total budgeted revenue	9 623 427	3 416 292
Depreciation: Net effect of write backs against budgeted depreciation	(75 256)	(312 242)
Operating and employment costs: Costs not incurred as budgeted	(1 123 539)	(6 834 174)
Budgeted surplus	–	–

23. COMMITMENTS

	2011 R	2010 R
Significant capital commitments		
Already contracted for but not provided for:		
Value of total contract	–	984 108
Less: Total payments made until 31 March 2010	–	–
Outstanding payments against contract	–	984 108

The Agency moved offices on 1 August 2010 to the Glen Manor Office Park, Menlyn, Pretoria. The capital commitment in 2009/2010 represents the cost of the structural renovations of the new offices as included in 2010/2011 as leasehold improvements.

24. CONTINGENCIES

In terms of section 53(3) of the Public Finance Management Act, all accumulated surplus funds may be forfeited to National Treasury. A formal request have been made to National Treasury to retain these funds but approval for the retention of accumulated surpluses to the value of R2 783 767 has not been received to date.

25. RELATED PARTIES

Related party transactions

	2011 R	2010 R
Maputo Corridor Logistics Initiative (MCLI)	–	14 250
B Mpondo – Board member	–	19 140

Relationships in 2009/2010

Maputo Corridor Logistics Initiative (MCLI)	B Horne – CEO of MCLI
B Mpondo (provision of consulting services)	Board member

Related party relationship exists with all National Government departments, trading entities, major State-owned entities (Schedule 2), National Government business enterprises (Schedule 3B) and National Public Entities (Schedule 3A) within the National Sphere of Government.

All related party transactions are consistent with normal operating relationships between the entities, and are undertaken on terms and conditions that are normal for such transactions in these circumstances.

26. PRIOR YEAR ERROR

The correction of the prior year error relates to the discovery of inaccuracies in the disclosure of Trade Receivables and Penalty Income: Non-Exchange Revenue, at 31 March 2010. The Agency recognised outstanding J14s (closed case dockets) as Trade Receivables and Penalty Income, although there was no substantive evidence that the disclosed amounts are valid and complete as the Agency was not able to match amounts recorded as receivables for penalty income to receipts. The entries were further not done in accordance with the applicable accounting policies in the prior year. The closing balance of equity at the end of 2010 was adjusted while the comparative amounts were restated accordingly. The effect of the adjustment of this error on the results of 2010 was as follows:

	Restated 2010 R	Periods prior to 2010 R
Reconciliation with statement of financial performance:		
Increase/(Decrease) in Penalty Income: Non-Exchange Revenue	36 085	(1 170 195)
Increase/(Decrease) in surplus for the year	36 085	(1 170 195)
Reconciliation with statement of financial position:		
Increase/(Decrease) in trade receivables	36 085	(1 170 195)
Increase/(Decrease) in net assets	36 085	(1 170 195)

27. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The entity's principal financial assets comprise trade and other receivables, and cash and short-term deposits that are directly derived from its operations. The entity's principal financial liabilities comprise trade and other payables. The entity is exposed to interest rate risk, credit risk and liquidity risk. The entity's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Categories of financial instruments

Financial assets: Cash and cash equivalents, trade and other receivables are classified as loans and receivables.

Financial liabilities: Trade and other payables and finance leases are classified as financial liabilities at amortised cost.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The entity's exposure to the risk of changes in market interest rates is limited to the cash and cash equivalents, which have floating interest rates.

The effect of a 1% increase/decrease in market interest rates on the entity's surplus is: 2011 – R311 (2010: R2 731).

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The entity is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks.

The entity's maximum exposure to credit risk at 31 March 2011 is R4 463 345 (31 March 2010: R17 424 468).

Trade receivables

The entity limits its counterparty exposure by only dealing with magistrates courts which act as a collection agency for the entity.

Cash deposits

Credit risk from balances with banks is managed in accordance with the entity's policy. Investments of surplus funds are made only with approved counterparties.

Liquidity risk

Liquidity risk is the risk that the agency will be unable to meet its obligations as they become due. The Agency manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows, making use of a treasury function to manage cash investments and borrowing requirements. Currently the Agency is maintaining a positive cash and strong financial position, conserving the company's cash resources through renewed focus on working capital improvement and capital reprioritisation. The agency finances its operations through retained earnings, short- and long-term borrowings and borrowing facilities with the Government. The agency is in compliance with all of the financial covenants per its loan agreements, none of which is expected to present a material restriction on funding or investment policy in the near future. The company has sufficient undrawn borrowing facilities, which could be utilised to settle obligations.

Liabilities will become due and payable as follows:

	< 1 month	1 – 12 months	> 12 months
Trade creditors	5 892 950	–	–
Finance leases	1 912	17 185	–

Notes to the annual financial statements continued

for the year ended 31 March 2011

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.

29. EVENTS AFTER REPORTING DATE

The financial statements indicates a net loss of R9 194 315 during the year ended 31 March 2011 and, as of that date, the entity's current liabilities exceeded its total assets by R2 447 397. Permit tariff increases were implemented on 1 April 2011 to address funding concerns in line with the approved funding model of the Agency and it is expected that the permit revenue base will increase from R42 million to R169 million during the next financial year.

30. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure were incurred due to extended renovations of the new offices in Menlyn, Pretoria that resulted in payment of R638 015 for rent and utilities from 1 April 2010 until 31 July 2010. The Agency paid R6 735 for cancellation fees, interest paid on overdue accounts of R3 605; R961 was paid incorrectly to an employee at termination date that could not be recovered and an amount of R35 331 was paid to a Board member after resignation date and the amount has not been recovered.

Disciplinary action, resulting in dismissal, was taken against the former Executive: Corporate Services, for incurring R638 015 fruitless and wasteful expenditure pertaining to the payment of rent and utilities.

31. IRREGULAR EXPENDITURE

		2011 R	2010 R
The following irregular expenditures were incurred:			
Opening balance		–	–
Add: Irregular expenditure – current year		9 114 501	39 444 159
Less: Condoned		(9 114 501)	–
Irregular expenditure awaiting condonation		–	39 444 159
Analysis of expenditure awaiting condonation per age classification:			
Current year		–	872 184
Total		–	872 184
Details of irregular expenditure: Current year			
Incident	Non-compliance with SCM prescripts	–	–

An amount of R273 873 as included in the total. Irregular expenditure of R9 114 501 was condoned after 31 March 2011.

Irregular expenditure as disclosed in the 2010/2011 year does not include fruitless and wasteful expenditure. Instances in the 2010/2011 year were investigated and no disciplinary action was taken as a result of the investigations.

32. CONTINGENT LIABILITIES

Contingent liabilities are in respect of labour-related claims arising in the ordinary course of business comprise:

Parties	Nature	Lodged in	Potential liability
D Ngwane	Acting allowance	CCMA	R15 000

Based on the opinion of the in-house counsel, it is not anticipated that any material liability will arise from this case.

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