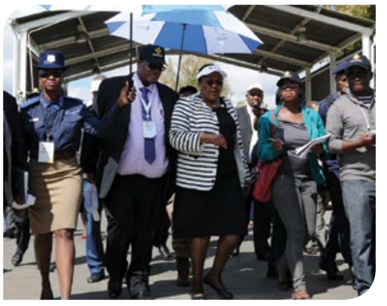
CROSS·BORDER
ROAD TRANSPORT AGENCY

Annual Report 2014/15

CROSS·BORDER
ROAD TRANSPORT AGENCY

Unimpeded Flow of Cross-Border Goods and Passengers

Table of Contents


PART A
General Information

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

Registered name:	Cross-Border Road Transport Agency
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External auditors:	Auditor-General of South Africa
Bankers:	First National Bank 5th Floor, FNB Menlyn Place Cnr. Lois Avenue and Atterbury Menlyn, Pretoria, South Africa
Company/Board Secretary	Kethabile Mabe Executive Governance and Legal Services

2. List of Abbreviations/Acronyms

AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
ARC	Audit and Risk Committee
BBBEE	Broad Based Black Economic Empowerment
BCOCC	Border Control Operational Coordinating Committee
BMA	Border Management Agency
C-BRTA	Cross-Border Road Transport Agency
CBRTS	Cross Border Road Transport System
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIPC	Company and Intellectual Property Commission
COBIT	Cental Objectives for Information and Related Technology
CPIX	Consumer Price Index
DoT	Department of Transport
DRC	Democratic Republic of Congo
ESCAP	UN Economic & Social Commission for Asia & the Pacific
GW-IPDP	Government-Wide Industry Partnership Development Programme
IACF	Inter-Agency Clearing Forum
ICT	Information Communication Technology
IPDP	Industry Partnership Development Programme
JCs	Joint Committees
JRMG	Joint Route Management Group
MAR	Market Access Regulation
MEC	Member of Executive Council
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NATJOINTS	National Joint Operational and Intelligence Structure
NDP	National Development Plan
NLB	National Limpopo Bridge
NLTIS	National Land Transport Information System
NTB's	Non-Tariff Barriers
OCAS	Operator Compliance Accreditation Scheme
OGEFREM	Office for Management of Multimodal Freight
PCOT	Portfolio Committee on Transport
PFMA	Public Finance Management Act
PMS	Performance Management Systems
RC	Regulatory Committee
REMCO	Remuneration Committee
RISDP	Revised Regional Indicative Strategic Development Plan
RSA	Republic of South Africa
RTI	Road Transport Inspectorate
RTMS	Road Transport Management Systems
SACU	Southern African Customs Union
SADC	Southern African Development Community
SANRAL	South African National Roads Agency
SATC	South African Transport Conference
SCM	Supply Chain Management
SMME	Small, Medium and Micro Enterprises
TKC	Trans Kalahari Corridor
TR	Treasury Regulations

Foreword by the Chairperson

Ms P Pokane

3. Foreword by the Chairperson

Introduction

I am deeply humbled and excited to be granted this opportunity to steer the C-BRTA towards a customer-centric transport entity, aimed at delivering on its legislative mandate. The strategic importance of the role of the C-BRTA in the liberalisation of the economic and social policies governing trade between South Africa and the Southern African Development Community (SADC) Region is a subject very close to my heart.

I am however under no illusion about the enormity of the challenges and the great task that awaits us all given the national socio-economic challenges of the country. The ever changing and developing cross-border road transport sector within the region is indeed a challenging task.

As the C-BRTA, we see ourselves as being central drivers of the National Development Plan's (NDP) objective of promoting regional integration by facilitating the unimpeded flow of cross-border transport in the region.

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

In the year under review, the C-BRTA committed to drive the implementation of (short and long term) interventions aimed at enhancing the Agency's mandate delivery capability, addressing challenges facing the cross-border road transport sector including transport operator challenges, facilitating seamless cross-border road transport movements, improving the regulation of cross-border road transport movements, reducing the cost of doing business as well as improving safety and productivity in the cross-border industry within the SADC region.

The specific programmes are articulated in the 2015-2020 Strategic Plan and the 2014-2015 Annual Performance Plan developed with a full appreciation of the need to create a conducive cross-border road transport environment that is viable, sustainable and stable.

The design and development of the programmes was underpinned by the need to implement interventions that would enhance the cross-border industry to play its strategic role towards facilitating regional trade, regional development and integration with a primary focus on SADC, given the region's geo-economic landscape. This was with full appreciation of the legislative and policy environments, as well as various dimensions of international cross-border road transport agreements concluded between South Africa and her neighbouring countries.

The delivery of commitments in the year gone-by required support from major industry stakeholders. In light of the regulatory and operational dynamics in the regional transport environment, it was imperative for the Agency to collaborate and to cooperate with stakeholders in the cross-border transport value chain. To this end, the Agency continued to build sustainable relationships with key industry stakeholders in the domestic and regional environments. It could only be through creating collaborative platforms and relationships that the Agency would be able to deliver its mandate in general and achieve targeted programmes.

The fact that there are many regulatory stakeholders operating in cross-border corridors with interest in cross-border road transport movements, each with a different and sometimes overlapping mandate underscores the fact that the C-BRTA needed to work with many stakeholders in order to achieve its mandate. At the heart of the work of the C-BRTA is the need to: improve the unimpeded flow of cross-border road transport movements; reducing operational constraints, which include non-tariff barriers, cross-border delays, effects of lack of harmonisation; reducing the costs of doing business, limited industry and fleet productivity, lack of dependability, and reliability of services among others. By addressing such matters, the Agency would be positively contributing towards increasing the overall performance, sustainability and affordability of the sector; which would also have a positive knock-on effect on regional trade, regional integration, economic growth and development of South Africa and the rest of the region.

To this end, the development of the Operator Compliance Accreditation Scheme (OCAS) seeks to address the majority of constraints faced by cross-border road transport operators, including delays, duplications, lack of harmonisation, high cost of doing business, longer journey times and reduced fleet productivity, among others. Secondly, the harmonisation of regulatory systems seeks to assist regulatory authorities by reducing regulatory fragmentation, inadequate capacity, duplications, among others, in South Africa and the neighbouring countries alike. All these interventions are ultimately aimed at enhancing the attainment of the objectives of the National Development Plan and international cross-border road transport agreements.

The Market Access Regulatory (MAR) programme, meant to develop a scientific model for use by the Regulatory Committee of the Agency, continued in the year. The model will improve decision-making processes and enhance the credibility of the Regulatory Committee in the processing of cross-border permit applications and assist in striking a balance between supply and demand of transport services in the cross-border passenger road transport industry. Ultimately, this will eliminate market saturation, enhance industry viability and stability, and reduce ambiguities in decisions reached in processing permit applications. To date the MAR model has been developed and piloted in major corridors. To this end, this tool continues to be refined and will be deployed in three major corridors.

The Agency also prioritised major programmes in the year gone-by and these include efforts towards finding a lasting solution to the Free State/Lesotho cross-border passenger transport impasse; the cross-border permit tariff litigation; identification of alternative revenue streams and financial sustainability for the Agency; driving of initiatives aimed at enhancing SMME establishment and development, initiatives targeted at improving road traffic safety in the cross-border road transport sector, and providing advice to cross-border industry stakeholders regarding challenges and developments in this industry.

Strategic Relationships

The Agency prioritised the mobilisation of stakeholders and obtaining key stakeholders support in the year. The Agency is buoyed by the Minister of Transport's support and the support received from both national and regional stakeholders towards development of the Operator Compliance Accreditation Scheme. The Agency conducted further benchmarking in China and India with the view to improve on cross-border regulatory tools and systems including OCAS and MAR.

The C-BRTA participated in the Border Management Agency international study tour that was completed in September 2014. As Cabinet designated the Department of Home Affairs as the lead department in the establishment of the Border Management Agency (BMA), the C-BRTA will continue to partner and collaborate with the BMA as this will streamline border management and reduce the costs of doing business for our cross-border operators.

The Agency also continued to collaborate with key stakeholders to improve the unimpeded flow of cross-border road transport. To name but a few, the C-BRTA concluded a Memorandum of Understanding with the South African Revenue Service (SARS); met in structured forums with cross-border operators, Department of Transport, Department of Trade and Industry, Inter-Agency Clearing Forum, Department of Home Affairs, Department of Tourism, Department of International Relations and Cooperation, Department of Justice and Constitutional Development, Provinces and Municipalities.

High-level strategic engagements were held with MECs for Transport in provinces with the view to streamline and integrate regulatory regimes in the country aimed at improving integrated regulation of passenger transport movements domestically and across the borders of South Africa. Critical to these engagements was the need to amplify collaborations between provinces and the C-BRTA.

Work is underway between the DoT, C-BRTA and Office for Management of Multimodal Freight (OGEFREM) representing the DRC. This work is aimed at formalising transport agreements between the two countries on cross-border road transport. It is envisaged that a land transport agreement will be signed early in the coming financial year.

Challenges faced by the Board

Collaboration with the DoT, the Free State Provincial Government and the C-BRTA assisted in having the Portfolio Committee on Transport (PCOT) in the Free State borders to provide guidance in the resolution of the RSA/Lesotho passenger transport impasse. While a lot is being done to address this impasse and to ensure seamless movement of both passengers and goods in the RSA/ Lesotho corridors, this conflict remains a safety and security challenge to operators, passengers and the seamless transportation of goods and passengers. The Ministerial Task Team is hard at work to facilitate an amicable and long lasting solution to this problem. Five (5) proposed interventions are being explored to facilitate a solution to this impasse. The interventions include, among others, the verification of interprovincial, intraprovincial and cross-border operator information.

3. Foreword by the Chairperson (cont.)

Financial sustainability of the C-BRTA remains a challenge given the limited revenue streams provided for funding the Agency operations. The unsuccessful Constitutional Court challenge on the permit tariff litigation means that the C-BRTA is liable to repay the operators the difference between the value of the 2011 tariff and that of 2003. This has massive financial implications for the financial sustainability and viability of this Agency.

Medium to long term goals of the C-BRTA

Operating in a globalised world, the Agency has since recognised the importance of regulating cross-border movements in collaboration with other transport and key regulators in the sector. Cooperation with other stakeholders in the fraternity requires up to date management information systems and technological capability. The Agency has premised its strategy on the need for a state-of-the-art cross-border road transport regulation in the short to medium term. This is evidenced by the need to improve the efficiencies in permit issuing capabilities and the need to develop new technology-based regulatory approaches.

It is important to elevate the importance of the cross-border road transport customer. Therefore multiple interventions are underway with the view to developing robust mechanisms for determining and effectively responding to the needs of the industry. The effectiveness of the C-BRTA in responding to operator challenges has a direct bearing on the perceived value that is derived from the work of the C-BRTA. The key focus area of the Agency is enhancing seamless movement within the Republic, facilitate easier transit within RSA ports of entry and facilitate unimpeded movement beyond RSA borders for the benefit of transport operators, intra-regional trade and social cohesion within SADC and the continent at large.

Moving forward, the C-BRTA will continue to consolidate relationships with major stakeholders in the industry with a view to continue building strategic partnerships that will enhance the Agency's ability to address cross-border constraints and realise the full implementation of strategic interventions like OCAS and the MAR tool. Reduction in the cost of doing business for transport operators is not an option and therefore the Agency shall pursue a multi-faceted approach that includes seeking review of the legislated mandate, advocating for a review of cross-border road transport bilateral agreements, continued identification and deployment of fit for purpose initiatives and forging of new partnerships where necessary.

The Agency will continue to support the establishment of the BMA in order to amplify border mordenisation initiatives for shortened border transit times. To this end, the C-BRTA looks forward to leverage on relationships already established and the Agency's understanding of the domestic and regional cross-border environments as well as developments in the region. In light of the fact that road transport plays a fundamental role in enhancing the objectives of key national and regional policies (regional trade, regional integration, economic growth and development), the Agency looks forward to sustaining efforts aimed at improving the performance of the industry, which requires that cross-border transport challenges are effectively addressed, necessary information is made available to transport operators and regulatory authorities operating in South Africa and regional countries alike, necessary support is harnessed, the right interventions are deployed and funding is also adequately provided. To this end, the Agency shall endeavour to find lasting solutions to both transport operators and regulatory authorities.

The C-BRTA shall continue to support the Department of Transport towards delivery of a sustainable, efficient, safe and reliable cross-border road transport system. Furthermore, the Agency remains resolute in being customer-centric in the delivery of its strategy.

As one of the major stakeholders in the cross-border industry, the Agency remains committed to improving the operating environment and continue partnering with other stakeholders towards turning around the *status quo*. The priority programmes in the year ahead include continued roll-out of OCAS, MAR, providing advice to key industry players, development of a new permit system with a view to reduce permit applications processing time, consolidating the mandate of the Agency, finding alternative funding mechanisms, pursuing reciprocity in regard to application of road user charges in the SADC region with a view to reduce the cost of applying for cross-border permits, review of bilateral road transport agreements and developing recommendations on the need for establishing bilateral cross-border agreements.

Conclusion

Against the backdrop of external and organisational changes, we continue to be guided by our Board Charter, which defines our values. We are committed to making a positive contribution to the communities where we conduct cross-border operations, being cognisant of the role of transport in the implementation of the Revised Regional Indicative Strategic Development Plan (RISDP) (2015-2020). The RISDP identifies four major priority areas, namely: industrial development and market integration; infrastructure in support of regional integration; Peace and Security Cooperation as a prerequisite of regional integration and Special Programmes of regional dimension. As an Agency that does business in the region, we are fully aware of the contribution of transport and cross-border operations in the realisation of the objectives of the RISDP.

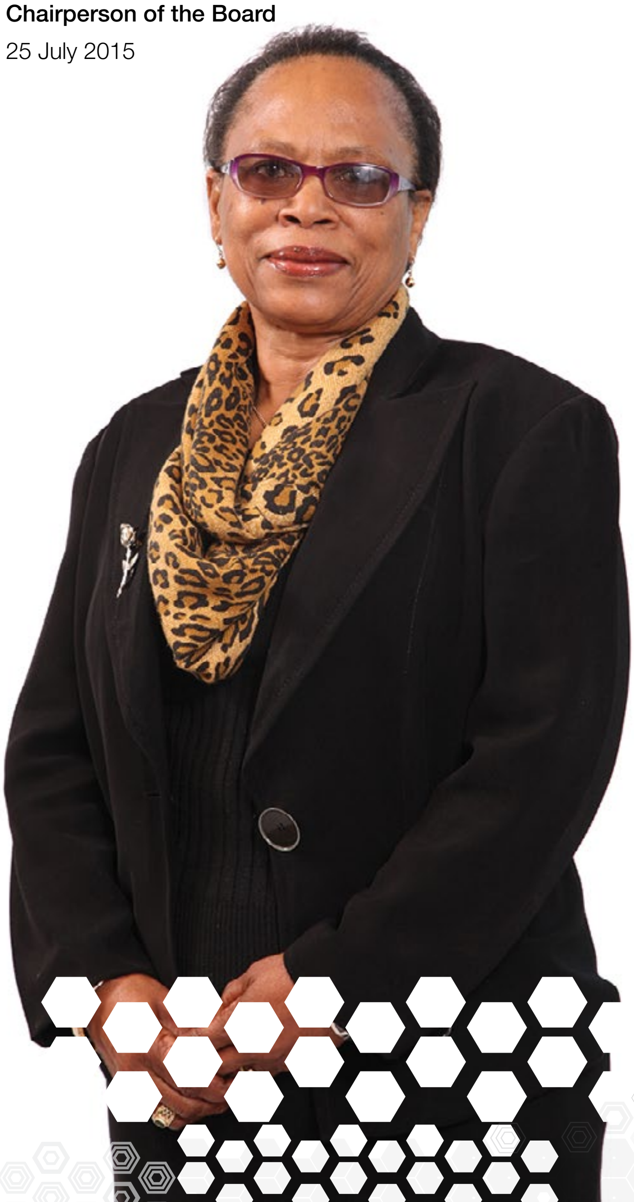
We expect challenging times in the short to medium term; particularly in relation to developing and implementing a sustainable funding model for the C-BRTA. We are however confident that the C-BRTA's strategy of focusing on customers (cross-border operators) will continue to make us competitive and create value for our stakeholders. Our strategy is also supported by high standards of corporate governance which we continue to review to ensure robust controls and alignment of our business with the best practices.

Acknowledgements

The Agency commits to continue improving the internal and external cross-border transport environments for the good of both operators and regulatory authorities. In this regard, the Agency looks forward to advance the balancing of the needs of transport operators whilst ensuring regulatory objectives are met. Equally, the Agency shall continue to improve governance processes, systems and structures with a view to sustaining and improving on the unqualified audit achieved in the previous financial years.

At this point, I would like to thank the C-BRTA staff, the Executive team and Senior Management for their faithful belief and commitment to the Agency, for without each one of them the Agency could not have reached the performance heights reached in this financial year. I would like to also commend the unwavering support received from the Minister of Transport, Honourable Mme Dipuo Peters, Deputy Minister of Transport, Honourable Sindisiwe Chikunga, the Department of Transport, the Portfolio Committee on Transport, and other State Departments in the Republic, fellow government agencies and transport operators. I would also like to thank various stakeholders in the domestic transport environment as well as in neighbouring countries for their continued efforts towards improving the cross-border road transport industry, for it is only when we all come together that we can address transport challenges, faced by our esteemed operators in the region, decisively. Lastly, I would like to thank my fellow Board members for providing wisdom, leadership and guiding the Agency towards delivery of the mandate in fulfilment of the broader strategic reasons for which the Agency was established.

Ms P Pokane
Chairperson of the Board
25 July 2015



Chief Executive Officer's Overview

Mr SG Khumalo

Introduction

I am honoured to be afforded yet another opportunity to present the performance overview of the Cross-Border Road Transport Agency in my capacity as Chief Executive Officer. The year under review was a challenging year mainly as a result of the need to facilitate seamless cross-border road transport movement across all strategic trade and passenger transport corridors both within and beyond the borders of South Africa. The funding of the Agency's operations was also a challenge owing to the declaratory order obtained against the Agency on 1 November 2013, which compelled the reduction of permit tariffs, until the promulgation of the 2014 permit tariffs in May 2015.

General financial review

Permit fees constitute the Agency's primary revenue stream, accounting for about 80% of the Agency's total income. The Agency operated on the 2003 Permit Tariff Regulation for the first six (6) weeks of the financial year as a result of the declaratory order issued against the Agency in November 2013. These tariffs were responsible for lower permit revenue against the budget in the first quarter, hence the R18 million under-collection for the financial year. The new tariff regulations, with a more sustainable tariff regime, were gazetted and became effective on 8 May 2014.

The penalty income was 45% above the budget amount due to noted high-impact presence of the cross-border law enforcement in major corridors as a result of increased human resources within the Road Transport Inspectorate (RTI) Division. The ten percent (10%) under-collection of permit revenue had no significant impact on service delivery because the Agency took a decision to curtail discretionary expenditure in order to sustain its essential operations.

The Agency had projected to report an accumulated surplus for the year under review, however, the unsuccessful challenge of the declaratory order obtained against the C-BRTA at the Constitutional Court, has changed the picture in a fundamental way. The comparative year in the Annual Financial Statements had to be restated to reflect the outcome of the Constitutional Court judgement, resulting in a deficit of R367 million for Financial Year 2013/14. In essence, the Constitutional Court declared the 2011 permit tariffs invalid and with effect from the time when they were promulgated on 31 March 2011. The effect of this decision is that the Agency has over-collected an amount of R318 million owing to charging operators on the basis of the tariff fees that came into effect on 1 April 2011. This development has led to the situation where the Agency's liabilities exceed its assets, which raises the question of the C-BRTA's operational viability and questions its status as a going concern. There is ongoing engagement with the Shareholder to find a solution to the financial sustainability of the Agency in the short and the long-term.

A financial sustainability strategy has been developed and approved by the Board after the end of the financial year. This strategy maps out options that the Agency will be considering in the short, medium and long-term to fund future operations. Another intervention initiated by the Agency is the identification and curtailment of spending where savings can be realised. It is envisaged that these interventions will deliver a long lasting solution to the financial sustainability of the Agency.

Spending trends

The Agency's overall spending was within its budget for the financial year under review. There was however an increase in the travel and subsistence budget owing to heightened activities of the Road Transport Inspectorate, which resulted in penalty income exceeding budget by 45%. Capital expenditure was below its allocation largely because of the non-development of the new permit system within the financial year. The failure to initiate that project is attributable to technical capacity constraints and lack of expert technical IT know-how within the Agency.

Capacity constraints and challenges

The Financial Year under review was a transformational year, for both strategic and operational efficiency of the C-BRTA. The Changing Gears Strategy had reached maturity and was in its final year, which gave impetus the need to rethink, re-engineer and amplify the five strategic projects that were the defining features of that strategy. On the other hand, there was a growing view that was questioning the extent to which we were focusing on the needs of cross-border transport operators.

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

Out of the strategic questions that informed the diagnostic exercises that were undertaken during the financial year 2013/2014, a new narrative was beginning to emerge, which began to inform the new strategic direction for the C-BRTA. The year under review, was largely a year in which new thinking was developed. A surgical analysis of everything that was being done by the Agency, and the manner in which the operations of the Agency were managed, resulted in a need for an organisational realignment process. The realignment process and the development of new strategic thinking were activities that were undertaken in order to amplify the strategic focus and provide for more emphasis on the importance of a value proposition for cross-border road transport operators and the industry at large.

Not only did transformation bring improved organisational performance but also brought about changes at all levels of the organisation. The findings revealed the need for heightened IT management capability, coupled with stronger IT technical expertise, which resulted in the establishment of the position of Chief Information Officer. These developments are responding to an assessed poor IT capacity within the Agency. The lack of this expertise within the internal value chain compromised the delivery of key performance targets including the development of a new permit system for the C-BRTA and percentage critical system uptime.

In view of the then ongoing permit tariff litigation and a need to facilitate financial contingency measures, the Agency curtailed spending on some key projects including the hosting of the Cross-Border Road Transport Indaba and further enhancement of OCAS among others. In response to its financial challenges, the Agency developed a financial sustainability strategy. This strategy identified various revenue streams including the possibility of levying cross-border charges to foreign operators, collection of cross-border access fees at the New Limpopo Bridge as well as the need for government funding in respect to law enforcement operations.

In an endeavour to address the RSA/Lesotho passenger transport conflict, the CEO set out to meet with and engage with the Transport MECs in all provinces, with the view of developing and integrated and collaborative approach to regulating cross-border transport movement in harmony with inter provincial passenger transport within all provinces adjacent to commercial ports of entry. Notwithstanding all the energies and effort that has gone into this task, the impasse pertaining to the cross-border passenger transport movements across the Free State/Lesotho borders remains substantially unresolved, and continues to pose a safety and security risk on Free State/Lesotho ports of entry and along the corridors that services those ports of entry.

The limited mandate of the C-BRTA has also been identified as a limitation and a challenge to successful influence of facilitation of unimpeded flow of transport within the region. The identified incongruence and disharmony in passenger transport legislation also exacerbates this problem. This limitation in the legal mandate of the Agency has also created a plethora of litigious opportunities for opportunistic industry players and others against the C-BRTA.

New and Proposed Activities

As part of a package of measures aimed at elevating the importance of our clients and their needs, the Agency will embark on an exercise that seeks to create predictability for operators across RSA borders. This need has prompted the Agency to initiate individual SADC country profiles and counter restrictive strategies for each of these countries. This strategic initiative will add value to domestic cross-border operators, in that they will be able to plan with the benefit of knowing the conditions that they will encounter on the other side of the border. Our view is that this initiative will assist in increasing operator productivity and cost-saving, thus enhancing operator business profitability.

The Agency will also initiate interventions aimed at identifying cross-border trade opportunities across the borders of South Africa. Through this intervention, we will also seek to introduce the youth and women to the freight industry opportunities across the border. This initiative will go a long way in introducing previously disadvantaged groups to new business opportunities in cross-border freight industry.

The Agency is developing a structured, systematic approach for attending to reported operator constraints. This

intervention includes a systematic constraint registration process, assessment, monitoring, evaluation and escalation of reported constraints, this with a view of decreasing the cost of doing business on the part of the cross-border operator.
In proactively dealing with potential passenger transport conflict, the Agency will embark on developing a business case on the need for an integrated passenger transport regulatory framework. It is envisaged that this intervention will enhance cooperation and collaboration in the regulation of passenger transport domestically and regionally, reducing conflict as a spin-off.

A State of the Cross-Border Road Transport Operations Report has been initiated and will be enhanced over the next five years. This report is an 'advisory tool' aimed primarily at apprising the Minister of Transport and the Department of Transport. However, this report will also be made available for the benefit of other key and affected cross-border transport stakeholders and operators. This report will apprise stakeholders on developments, key legal and policy areas within the industry.

As alluded to above, the Agency will be looking at financial sustainability options with the view to increase baseline revenue by 20% annually. This also includes a systematic cost containment strategy aimed at identifying items which can be eliminated from the day-to-day operations of the C-BRTA. This intervention is part of the set of measures that are aimed at reducing the cost of a cross-border permit.

In the Agency's quest to contribute to road safety improvement and to support the Minister of Transport in her endeavour to reduce the road carnage, the C-BRTA has introduced a mechanism for categorising inspection findings and provide management information on what contributes to road fatalities and how road transport policy ought to be enhanced to support compliance and safety of RSA roads.

Discontinued Activities

The Agency has identified an opportunity in the SADC region to develop a formal curriculum for road transport inspector qualification. This initiative came as a result of regional dependency on the C-BRTA to assist with cross-border road transport training. This initiative was contained in the five (5) year strategic plan but because of the need to further research and execute a feasibility study on this project, it was migrated to operational plans of the C-BRTA.

The harmonisation of rules standards within SADC was a project in the five year plan of the C-BRTA. This has also been migrated to operational planning as a result of delayed commitment from other stakeholders to relinquish their statutory provisions and move to more regional wide rules and standards in regulating cross-border movement.

Supply Chain Management

In the period under review, efforts were made to improve the Agency's Supply Chain Management systems, including the need to improve turn-around times in the procurement of goods and services. In this regard, dedicated officials have been allocated to each line function in order to ensure proactive provision of goods and services. Supplier and SMME payment turn-around times have been improved to 20 days as a result of enhanced systems of collaboration between financial services and Supply Chain Management processes.

The implementation of the compliance checklist within the Supply Chain Management environment has enabled the eradication of irregular expenditure. To date, there are no transactions initiated in the financial year under review which have been identified as irregular. The Agency has introduced a new system to facilitate accurate and equitable rotation of suppliers registered on the C-BRTA supplier database.

Reflecting on Past performance

The previous three years has seen the C-BRTA performance graph on an upward curve despite the challenges faced by the Agency during this period. The Agency performed to the tune of 69%, realizing nine (9) out of its 13 strategic targets in the financial year. Even though this performance is below what the organisation had aspired to achieve, it is notable that it is a four percent (4%) improvement on the previous year's performance. In this regard, I wish to highlight the following achievements:

The C-BRTA has successfully developed and piloted the first Market Access Regulatory (MAR) scientific tool, in public passenger transportation within the Republic. The C-BRTA is mandated to regulate competition in cross-border passenger transport. The MAR tool has the ability to determine supply and demand of passengers on various transport nodes and is used to advise the Regulatory Committee on which corridors to issue permits, and which ones not to. This tool has been operationalised and now undergoing continuous improvement for utilisation in major corridors in the future.

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

For the first time, the Agency has been able to identify individuals among women and youth to participate in the establishment of two co-operatives focusing on cross-border business. The establishment of cooperatives successfully attracted 38 women and 12 youth into a C-BRTA led project to create opportunities in the cross-border road transport business. The 2015/2020 strategic window will focus on up-skilling and mentoring these cooperatives for prospective cross-border business uptake.

In the recent past, the effectiveness of the Cross-Border Road Transport Inspectorate has been compromised by the limited human capacity and resources against the spread and coverage on commercial ports of entry required to be manned and enforce compliance to road transport legislation. The Agency has successfully adopted a "smart law" approach to law enforcement. This concept is a combination of proactive use of processed information and technology to achieve more compliance with limited resources and less time. The next MTEF will witness the full roll out of smarter policing and smarter avenues of enforcement on cross-border road transport legislation.

In addition to the above smart law intervention, the C-BRTA has trained 21 youth in the Road Transport Inspectorate training and formally absorbed 20 of the trained youth as road transport inspectors during the period under review, eleven of which were females.

In this regard, and despite the challenges on enforcement of the cross-border legislation, the Road Transport Inspectorate has exceeded its inspection performance target and increased their footprint in the number of vehicles exposed to inspections for driver and vehicle fitness.

In its endeavour to facilitate collaboration with key stakeholders, the C-BRTA has signed an MoU with South African Revenue Services. In the main, this memorandum will assist in ensuring that illegal cross-border operations are discouraged and all operators conducting this business are permit compliant before transiting through a port of entry.

Significant investment has gone into the continuous development and refinement of Operator Compliance Accreditation Scheme (OCAS). OCAS is viewed as the flagship project among the projects that were identified in the Changing Gears Strategy. This year has provided sufficient ground work to have the feasibility study concluded. The outcomes of the feasibility report, demonstrated industry desire for a risk-based, government regulated scheme within the industry to be introduced.

The C-BRTA is mandated to provide advice to the Minister of Transport and the industry on matters relating to the improvement of cross-border road transportation. The Agency developed a succinct report for the Minister of Transport and the Portfolio Committee on Transport providing advice on the plight of cross-border operators across-borders. The report provides critical recommendations required to remedy the identified challenges and cross-border constrains.

Over and above the 69% performance achievement, the Agency increased its gender representation at executive level to 50% in favour of female executives in the Legal Services, Road Transport Inspectorate and Information Technology environments. The experience of these executives put together is over forty (40) years in their respective fields.

The C-BRTA hosted an event where the Agency engaged with the Malelane community in the Mpumalanga province. The purpose of the engagement was to communicate with prospective business people in the locality on business opportunities available in the cross-border road transport industry. This event was also utilised to identify prospective operators to form part of business cooperatives formed in the year under review.

The Malelane visit extended to mobilise 60 girl-learners in grades 10 and 11 and engage them on career prospects in transport. The Minister of Transport led the engagement with identified audience on various careers in all modes of transport: road, aviation, rail and maritime.

Audit Report matters in the previous year and how they will be resolved

With the quest to improve internal controls and good corporate governance within the company, the Agency implemented 92% of recommendations made by the Auditor General of South Africa. These recommendations assisted in the further development of business processes and reduction of key risks in relation to compliance to key financial, supply chain and Information Technology governance requirements. The bulk of the difference of recommendations that were not implemented pertain to compliance with the COBIT 5 ICT governance requirements. Work is underway to attend to the outstanding findings. An IT strategy has already been developed and will be approved for implementation in the new financial year.

The internally appointed auditors conducted nine (9) reviews focusing on internal financial controls, supply chain management, penalty income and audit on performance against pre-determined objectives where there were no significant findings made. However, where concerns were raised, management has duly rectified the issues that were raised.

Three (3) areas, in which significant findings were made, included performance information framework, human capital management and compliance effectiveness function. In response, management has developed a performance information framework, review of talent management policy and ongoing review of the Agency's Compliance Manual.

Events after the reporting date

On 12 May 2015, the Constitutional Court made a determination that was not in favour of the Agency, and which will have severe detrimental effect on the viability of the operations of the C-BRTA. This determination was on a matter of the increase of the cross-border permit tariffs of April 2011, where the Agency had appealed to the Constitutional Court on the question of retrospectivity, following an unfavourable declaratory order issued by Judge Heaton-Nicholls. Given the adverse findings of the Constitutional Court, the Agency will be compelled to refund cross-border operators monies paid in excess of the value of the 2003 permit tariffs, which amounts to R318 million. As a result of this adverse judgment, the annual financial statements for the previous financial year had to be restated, in order to provide for the additional financial obligation at the end of the reporting period.

Economic Viability

Even though the Constitutional Court judgment has a detrimental effect on the viability of the Agency's operations, the Agency is engaging with the Minister of Transport with a view of remaining economically and financially viable. Furthermore, the successful implementation of the financial sustainability strategy is expected to have a positive impact on the financial viability of the Agency.

Acknowledgements

At this point, I wish to express my sincere appreciation and gratitude to one and all within the C-BRTA staff for their commitment, and their continued support of the management team in our collective effort to deliver on the mandate of the C-BRTA. I will be remiss not to acknowledge and thank my colleagues in the Executive Management team and all the members of the Senior Management team without whom none of the accomplishments detailed above would have been possible. I wish to simply say, your efforts have not gone unnoticed and your continued support, under very trying circumstances, is truly appreciated.

I also wish to take this opportunity to thank all my principals for their vote of confidence and continued support. The diligence of the Board of C-BRTA has kept us on our toes and ensured that we did not drop too many balls. Without their scrutiny and questioning, we may not have achieved some of the goals that have been accomplished within the period under review. The Board's guidance and interest in the successful management and governance of the affairs of the Agency can never be over emphasised.

In conclusion, I wish to express my sincere appreciation for the ongoing support and unfailing guidance of the Minister of Transport, mme Dipuo Peters and the Deputy Minister of Transport, umama, uSindisiwe Chikunga.

Mr SG Khumalo
Chief Executive Officer
25 July 2015

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

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

All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor General of South Africa (AGSA).

The Annual Report is complete, accurate and is free from material omissions.

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

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

The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing, and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

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

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the C-BRTA for the financial year ended 31 March 2015.

Yours faithfully

Mr SG Khumalo
Chief Executive Officer
25 July 2015

Ms P Pokane
Chairperson of the Board
25 July 2015

Strategic Overview

6. Strategic Overview

6.1. Vision

The leading road transport trade facilitation Agency within the region.

6.2. Mission

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

6.3. Values

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

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

The Agency strategy is premised on the need for improved customer-centricity through the continuous development and implementation of the Changing Gears Strategy projects. The strategic focus is aligned to the strategic goals of the Agency. Cross-border operator focus has emerged as a key strategic thrust to enable comprehensive fulfilment of the C-BRTA mandate and promote organisational culture.

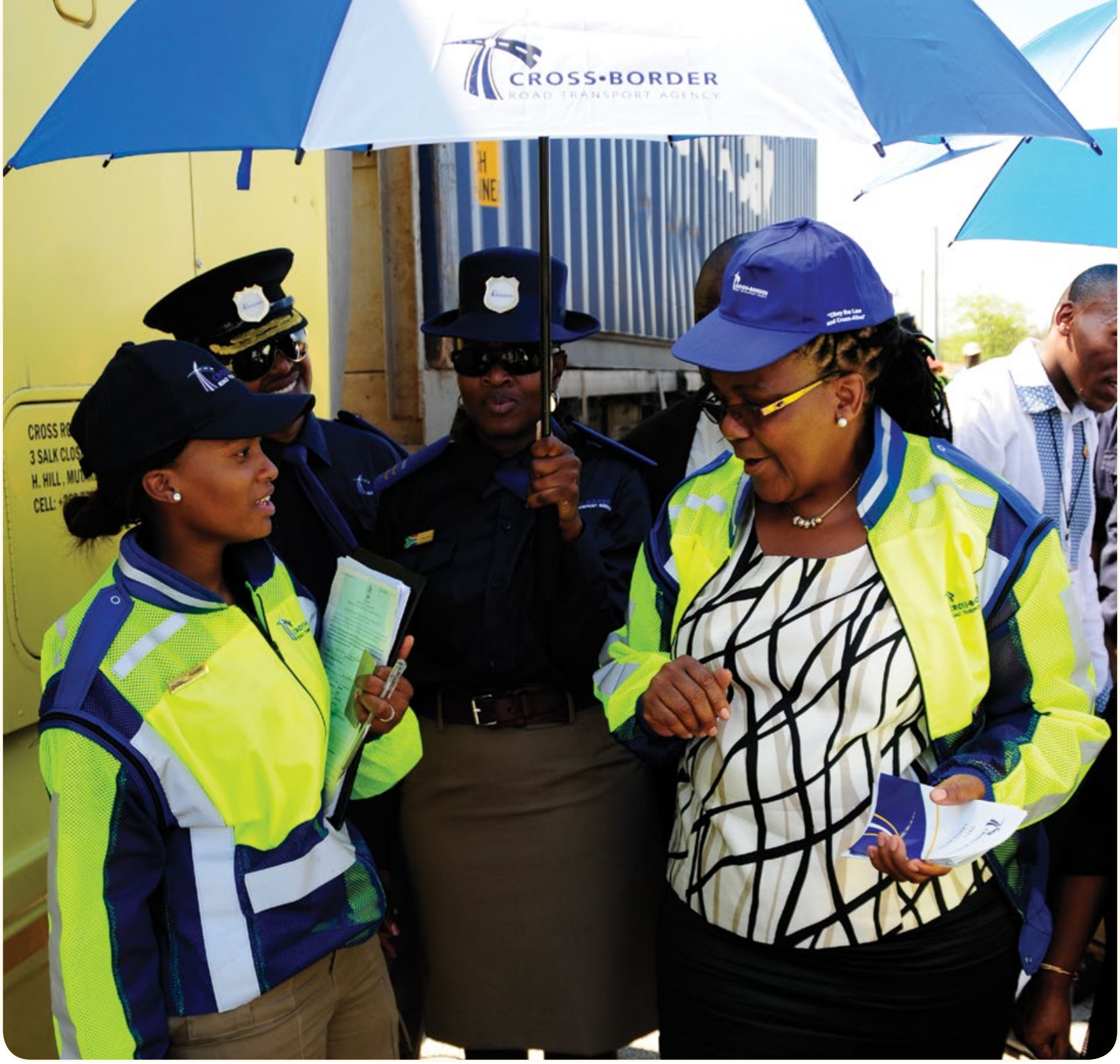
The key focus in the strategic direction of the Agency is mainly directed at reducing the cost of doing business, improve productivity for cross-border operators, accelerate growth in intra-regional trade and regional economic integration.

6.4. Strategic Objectives

To improve its business processes, the C-BRTA adopted the following eight (8) medium term strategic objectives:

Table 1: C-BRTA Strategic Objectives

C-BRTA Strategic Objectives	
1.	To introduce and implement regulated competition
2.	To promote efficiencies in permit issuing
3.	To generate and deploy strategic intelligence capabilities to improve compliance with road transport legislation
4.	To increase strategic influence with stakeholders so as to enable the organisation to achieve its objectives.
5.	To proactively provide value added advisory services to the transport sector (including the Minister of Transport) on cross-border matters.
6.	To develop and implement a high performance culture in the organisation.
7.	To ensure the financial viability and sustainability of the C-BRTA
8.	To improve the internal control environment



7. Legislative and other Mandates

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

The C-BRTA's strategic plan is informed by various legislative mandates and related Government policies and directives inter alia:

- The Cross Border Road Transport Act of 1998, as amended;
- White Paper on National Transport Policy of 1996;
- SADC Protocol on Transport, Communication and Meteorology;
- The Constitution of the Republic of South Africa of 1996;
- The Public Finance Management Act of 1999, as amended;
- Bilateral and Multilateral Road Transport Agreements;
- The Integrated Transport BBBEE Charter.
- The National Development Plan
- Medium Term Strategic Framework (MTSF)

7.1. Constitutional Mandate

In the execution of our functions and in line with our founding legislation, the C-BRTA shall comply with the Constitution of the Republic of South Africa with specific reference to the following sections:

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

7.2. Legislative and Policy Mandates

7.2.1. **Cross-Border Road Transport Act, 4 of 1998,** provides the Agency with the mandate to improve the unimpeded flow by road of freight and passengers in the region, liberalise market access progressively in respect of cross-border freight road transport, introduce regulated competition in respect of cross-border passenger road transport and to reduce operational constraints for the cross-border road transport industry as a whole, enhance and strengthen the capacity of the public sector in support of its strategic planning, enabling and monitoring functions and to empower the cross-border road transport industry to maximise business opportunities and to regulate themselves incrementally to improve safety, security, reliability, quality and efficiency of services.

7.2.2. **National Land Transport Act, 5 of 2009,** provides for the process of transforming and restructuring the national land transport system. In essence, it provides for the mandate of the three spheres of authority in the transport sector and confers mandate to these authorities to perform certain functions that include regulation.

7.2.3. **National Road Traffic Act, 93 of 1996,** as amended, provides for road traffic matters which shall apply uniformly throughout the Republic of South Africa. The NRTA in essence provides for traffic regulations that govern licensing of motor vehicles, operation of motor vehicles, vehicle road worthiness, driver licensing and fitness.

7.2.4. The **National Development Plan** identifies the transport sector as one of the major economic pillars for the economic development of Republic. The Plan asserts that South Africa's development is affected by what happens in the region and the world and its success will depend on the country's understanding and response to such developments. It also asserts the need to overcome poor transport links and infrastructure networks, as well as tariff and non-tariff barriers, high cost of doing business in the region as key imperatives that should be overcome if the region is to attract investment and improve trade.

7.2.5. **Tourism Act, 3, of 2014,** provides for the development and promotion of sustainable tourism for the benefit of the republic, its residents and its visitors. The C-BRTA regulates market access to the tourism transport sector through a permit regime. The Agency also has the mandate to conduct law enforcement in regard to compliance to road traffic regulations in the tourism sector.

7.2.6. The **SADC Protocol on Transport, Communications and Meteorology,** provides for the integration of regional transport, communications and meteorology networks. In essence in regard to road transport the objective of the protocol is to make it as easy as possible for cross border road transport operators to move from one country to the other through reduction of non-tariff barriers, improving harmonisation, and provision of adequate infrastructure with the intention of improving efficiency, and facilitating both transport and trade in the region. The Protocol also provides for interventions and actions which responsible authorities/ regulatory authorities in the member states at operational level should perform towards improving cross border movements.

7.2.7. **Hazardous substances Act, 15 of 1973,** which provides for control of substances which may cause injury or ill health to or death of human beings during handling and transportation. Thus, the Act provides for conditions of carriage and transportation of such hazardous goods through corridors, division of such substances or products into groups in relation to the degree of danger, prohibition and control of the importation, manufacture, sale, use, operation, application, modification, disposal or dumping of such substances and products and other matters connected therewith.

7.2.8. **Bilateral Agreements** concluded between South Africa and Malawi, Mozambique, Zambia and Zimbabwe, which provide for promoting and facilitating international road freight and passenger services. The agreements provides for formal acknowledgement of the need for the countries to facilitate cross border road transport movements, the conditions of carriage of goods and passengers, the need for harmonisation, vehicle documentation and establishment of Joint Route Management Committees and Joint Committees. They also provide for the need for equal treatment of transport operators and reciprocity between the two member states.

7.2.9. The **1996 White Paper on Transport** identifies the broad goal of transport being to achieve smooth and efficient interaction that allows society and the economy to assume their preferred form and play a leadership role as a catalyst for development. The Paper also sets out the transport vision of the Republic to provide safe, reliable, effective, efficient, and fully integrated transport operations and infrastructure which will best meet the needs of freight and passenger customers among others.

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

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

7.2.12. South Africa is also a signatory to some international conventions, which were designed to enhance the harmonisation and facilitation of efficient road transport movements, namely the **International convention on the harmonisation of frontier controls of goods, of 1982,** which aims to improve international movement of goods by all modes of inland transport; and the **Convention on road traffic, of 1968,** which provides for facilitation of road traffic and increasing road safety through the adoption of uniform road traffic rules. As the Agency implements its mandate, the Agency considers the provisions of these conventions.

8. Organisational Structure

MINISTER OF TRANSPORT

BOARD OF DIRECTORS

CHIEF EXECUTIVE OFFICER
Sipho Khumalo

- **CHIEF FINANCIAL OFFICER** – Nchaupe Maepa

- **EXECUTIVE MANAGER: REGULATORY SERVICES** – Ronald Stuurman

- **EXECUTIVE MANAGER: RTI** – Dr. Leah Mofomme

- **EXECUTIVE MANAGER: FACILITATION AND INDUSTRY DEVELOPMENT** – Samson Koloi

- **EXECUTIVE MANAGER: GOVERNANCE AND LEGAL SERVICES** – Kethabile Mabe

- **CHIEF INFORMATION OFFICER** – Phokeng Mohatlane

- **CHIEF OPERATIONS OFFICER** – Major General Kaine Monyepao

- **EXECUTIVE MANAGER: HUMAN RESOURCES** – (vacant)

9. Board Members

Ms Pamela Pokane

Chairperson of the Board

Qualifications

- Social Science, Urban Development Studies, Graduate of York University in Toronto, Canada
- Post Graduate Diploma in Management Development at the University of Witwatersrand
- Various professional certificate courses

Membership

Member of the Institute of Directors

Regulatory Committee (Chairperson)

Ms Maleho Nkomo

Deputy Chairperson

Qualifications

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

Membership

Member of the Institute of Directors

Human Resources and Remuneration Committee

Regulatory Committee (Deputy Chairperson)

Mr Trevor Bailey

Board member

Qualifications

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

Membership

Member of the Institute of Directors

Human Resources and Remuneration Committee

Procurement Committee

Regulatory Committee

Ms Semira Mohammed

Board member

Qualifications

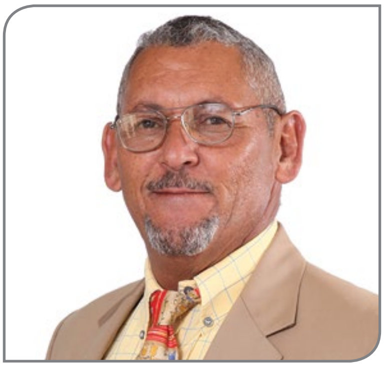
- MSc Transportation Planning – University of Pretoria
- BSc (Hons) (Transport) – University of Pretoria
- BSc (Civil Engineering) – University of Asmara, Eritrea

Membership

Member of the Institute of Directors

Regulatory Committee

9. Board Members (cont.)



Mr Moses Scott
Board member

Qualifications
- Teachers Diploma – Rand Teachers College

Membership
Member of the Institute of Directors
Regulatory Committee
Audit & Risk Committee

Mr Reuben Dlamini
Board member

Qualifications
- Certificate in Business Administration – Mancosa
- Masters Degree in Business Administration - Mancosa

Membership
Member of the Institute of Directors
Regulatory Committee
Audit & Risk Committee

Adv. Seeng Letele
Board member

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

Membership
Member of the Institute of Directors
Audit and Risk Committee
Regulatory Committee

Mr Wayne Smith
Board member

Qualifications
- Matric – Harrismith High School

Membership
Member of the Institute of Directors
Regulatory Committee
Human Resources and Remuneration Committee

Mr Gordon Noah

Board member

Qualifications

- BSc - UNISA
- Marketing Management - UNISA
- Local Government (LG) University of Pretoria
- Management Tools Diploma – University of Pretoria
- Certificate inTime Management (TM) University of Pretoria
- Certificate in Communication – UNISA

Short courses

- Sales and Marketing Certificate (DELTA)
- Salesmanship Honours Certificate (M.I.T.)
- Fundraising Planning & Management Certificate (Downs, Murray International)
- International Salesmanship Honours Certificate TI (M.I.T.)
- Local Government Laedership Programme (N.1.T.L)
- Management of Technology Certificate (N.1.T.L)
- Marketing Management Certificate (Executive Education)

Membership

Member of the Institute of Directors
Human Resources and Remuneration Committee (Chairperson)
Audit and Risk Committee

Mr Nala Mhlongo

Board member

Qualifications

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

Membership

Member of the Institute of Directors
Audit and Risk Committee (Chairperson)
Procurement Committee

9. Board Members (cont.)

Mr Sinethemba Mngqibisa

Department of Transport Representative

Qualifications

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

Membership

Member of the Institute of Directors
Regulatory Committee

Mr Sipho Khumalo

Board member

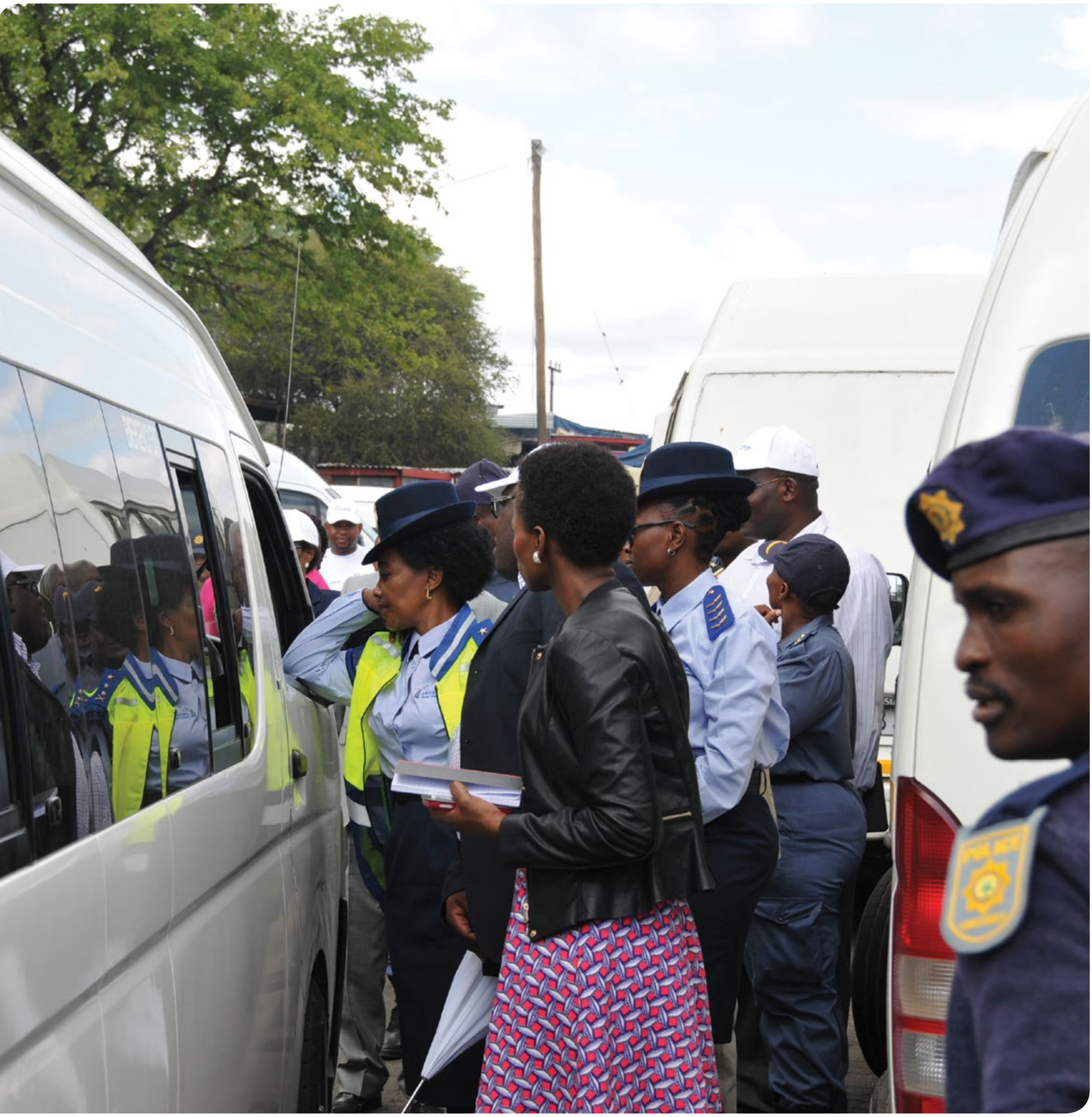
Qualifications

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

Membership

Member of the Institute of Directors
Human Resources and Remuneration Committee
Regulatory Committee

PART B
Performance Information



1. Auditor's Report: Predetermined Objectives

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 84 of the Auditor's Report, published as Part E: Financial Information.

2. Situational Analysis

Organisations do not exist in a vacuum. They exist within a myriad of factors that have an ability to influence the business. It is in this context that the C-BRTA takes cognisance of the economic, political, social, technological, legislative and ecological imperatives within its operating environment.

It is in such an environment that the importance of the National Development Plan becomes paramount. The NDP as the cornerstone from which the nation's aspiration for growth, poverty reduction and employment are articulated presents an opportunity for South Africa to attain faster economic growth through raising employment levels. The NDP, thus, serves as a broad, multi-dimensional framework aimed at changing the development trajectory of South Africa. The NDP also amplifies the importance of global economic shifts, technology, globalisation, climate change and African economic growth as notable trends for South Africa.

The vision for the Southern African region is one of the highest possible degree of economic cooperation, mutual assistance where necessary and joint planning of regional development initiatives, leading to integration consistent with socio-economic, environmental and political realities. SADC has adopted a development integration approach which seeks to address production, infrastructure and efficiency barriers to growth and development. South Africa has significant interests in the region and in regional integration. Since 1994 the South African government has regarded the Southern African region as the most important priority in terms of international relations strategy.

The C-BRTA will continue to improve the overall performance and spearhead social and economic development within the SADC region through facilitating unimpeded cross-border road transport movements. The Agency, however, realises the need for change. It notes that in order to remain relevant and sustainable, the era of business-as-usual has elapsed. The quest for technological advancement and operational efficiency present a promise of value-add not only to the organisation but to the operators at large.

2.1. Service Delivery Environment

The Agency achieved 69% of its overall performance against its predetermined objectives. The C-BRTA's performance increased by four percent (4%) year on year, achieving nine (9) out of its 14 performance indicators. Recovery plans are built into the 2015/2016 plans to ensure achievement of the set targets which were not achieved. The Financial sustainability strategy was finalised and approved after the end of the financial year. Work is underway to appoint a service advisor in order to finalise the development of the new permit system. Permanent deployment of inspectors at the Oshoek has been included in the new financial year's operational plan to ensure that it is achieved.

The C-BRTA experienced an overall decrease of 1.42% in permits issued year-on-year during the year under review, which translates into a decrease of 1 140 permits. The projection for permits to be issued for the 2014/15 financial year as per the Annual Performance Plan amounted to 67 000 permits, while the actual total number of permits issued amounted to 78 884 permits.

The Market Access Regulatory (MAR) tool aimed at regulating passenger transport competition through determination of supply and demand patterns was piloted and refined in the financial year. A refined product of the tool will be deployed in three (3) major corridors in the next financial year.

The C-BRTA is cognisant of customer needs that include reduced timelines at the borders and along the transport corridor and the reduction in the cost of doing business. To this end, the Agency will continue to collaborate with the role players in the border and corridor environment to enhance service offerings.

The Agency notes the growing need to keep abreast with technological advancement, particularly in the regulation of cross-border operations. The Agency's technological capacity shortage contributed largely to the non-achievement of some of the key performance areas that are technology driven, one such instance is in the development of a new permit system. The poor technological infrastructure within the Agency created performance challenges from a connectivity perspective. This resulted in delayed reporting challenges and fragmented communication between head office and regional offices.

The lack of expert capacity within the C-BRTA further compromised the Agency's compliance to IT governance as recommended in the King report. The Agency has since appointed a CIO to assist in the development of Information Technology needs in the organisation.

2.2. Organisational Environment

The C-BRTA has assessed its organisational environment during the previous year and asserts the following reflection:

The number of vehicles inspections was exceeded by 41 520 inspections. The sharp increase in the number of inspection was as a result of deployment of twenty (20) additional trainee inspectors who were later permanently absorbed in the Agency. Permanent deployment in closer proximity to the border also assisted in the monitoring of all identified traffic towards or from the commercial border posts. The increase represents a four percent (4%) increase compared to last year's performance.

Two cooperatives were registered with CIPC in the financial year under review. The one cooperative is a women cooperative consisting of 38 women and the other a youth cooperative consisting of 12 young entrepreneurs, five (5) being young women. These cooperatives are the C-BRTA's initiative aimed at introducing women and youth to business opportunities within the cross-border road transport industry. This target was achieved in the fourth quarter instead of the initially planned timeline of the second quarter, due to the need to further engage industry and obtain support and cooperation.

The Agency embarked on a realignment process. The process was informed by the need to amplify Agency performance and align functions that are transversal and reside with line functions. This exercise required a review of the organisational structure. Owing to the envisaged implementation of the new structure and the necessary consultations, operational plans were utilised for managing performance in the organisation for the year under review.

The enforcement of the C-BRT Act and other Transport Legislations remain a key function of the Agency's mandate. However, due to the geographical spread of the RSA borders and the location of the Agency's regional offices, not all border posts were menned at all times. The RTI inspectors had to travel long distances to mann commercial border posts resulting in high expenditure on subsistence and travel allowances. Management is looking at a more prudent and appropriate solution, including tightening controls over travel claim processes.

The Free State/Lesotho passenger transport conflict became a challenge to the Road Transport Inspectorate from the perspective of discharging its mandate. This conflict and lack of cooperation from industry stakeholders had posed safety and security risk to both passengers and inspectors on the RSA Lesotho corridor. All stakeholders, including the Minister of Transport, the Portfolio Committee on Transport, NATJOINTS, IACF and the Free State Provincial Government are working together to find a lasting solution to the Free State/Lesotho conflict.

The declaratory order which was a result of a litigation brought by some cross-border hauliers against the C-BRTA resulted in the Agency having to revert to the 2003 permit tariffs in August 2013. The 2003 permit tariffs were applied until the 8th May 2014 when the new Permit Tariff Regulations were promulgated. The continued utilisation of the 2003 permit tariffs in the first month of the financial year had a negative impact on the Agency's ability to collect adequate levels of revenue. As a result, the Agency had to delay and suspend some key projects including the hosting of the Cross-Border Road Transport Indaba, training and development initiatives as well as curtailing spending on other discretionary expenditure.

The relationship between the C-BRTA and some of the operators came under strain as a result of the Agency's inability to introduce counter restrictive practices to foreign operators as South African registered operators are subjected to unfair and restrictive measures when they travel to other member states within SADC. This creates a perception that the interests of South African registered operators are not well looked after by the local authorities. The Agency embarked on robust engagements at country level in order to address these challenges. A Government Wide Industry Partnership Development Programme has commenced to identify key stakeholders at regional level in order to address concerns raised by cross-border operators

As part of strengthening relationships with key stakeholders, a workshop between OGEFREM of DRC and RSA was convened to address constraints in the DRC/RSA cross-border corridor. Furthermore, a MoU has been drafted and discussed and is awaiting approval of both countries. This intervention will go a long way in advancing trade and integration between the two countries.

The Agency has engaged 8 out of 9 Transport MECs and their Heads of Department (HoD) on cooperation and collaboration on cross-border transport matters. The main aim of this intervention was to develop an integrated regulatory framework that is going to reduce passenger transport conflict within the Republic. Some of the areas of collaboration include technology and the management of freight information and related statistics within provinces.

2.3. Key Policy Developments and Legislative Changes

The Minister of Transport published the Cross-Border Road Transport Act, 1998 (Act 4 of 1998): Amendment Regulations 2014 during the financial year. These regulations were mainly communicating and putting into law the new permit tariffs for cross-border road transport.

2.4. Strategic Outcome Oriented Goals

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

- **Strategic Goal 01 – Enhance organisational performance**

The Agency's performance management framework is in the evolving phase having been introduced three years ago. Appropriate performance management and reward policies have been developed and implemented to strengthen and achieve the objectives of the framework.

- **Strategic Goal 02 – Facilitate unimpeded flow of cross-border transport**

During the period under review, key stakeholders in the cross-border road transport value chain were identified and their level of influence determined in the industry. This intervention was aimed at identifying the extent and frequency of engagement with these stakeholders in order to enhance the seamless movement of goods and passengers across the borders of RSA. Stakeholders with interest in cross-border road transportation were engaged through Stakeholder Forums to discuss ways in which movement of transport across borders can be enhanced.

Continuous engagement with key stakeholders received focused effort during the financial year, The Agency was able to facilitate the signing of an MoU with SARS and continued to engage the DRC, OGEFREM with the view of concluding a MoU which is envisaged to be signed in the new financial year.

- **Strategic Goal 03 – Promote safe and reliable cross-border transport**

A smart law concept document has been developed using previous years' experiences and challenges the Agency went through in monitoring compliance by cross-border road transport operators. The concept paper had several recommendations to support and promote safer and reliable cross-border transport. These recommendations included the need for the Agency to adopt smart transport policing, the use of technology and information to increase safety and compliance on the cross-border corridors.

The Operator Compliance Accreditation Scheme, another Changing Gears Strategy project has been tested to determine its feasibility and its requirements. Transport stakeholders including SADC member states have been consulted in determining the industry needs of such a system in order to improve safety and reliability of cross-border transport.

- **Strategic Goal 04 – Promote regional integration**

Engagements with SADC member states continue to address matters of harmonisation of rules, procedures and standards among SADC countries. The Agency embarked on harmonisation and benchmarking missions. It is envisaged that during the next financial year, these study missions will be utilised to develop individual country strategies in order to drive regional integration.

Bilateral meetings, JC's and JRMG's continue to be used as a platform to jointly address operator concerns, NTB's and other related challenges to improve inter regional trade and integration.

- **Strategic Goal 05 – Strategic positioning to enhance organisational sustainability.**

The Agency developed a financial sustainability strategy in the year under review. This initiative is aimed at looking at other sustainable revenue options that the agency can explore in order to remove the burden on the permit tariff in the future

The C-BRTA embarked on a research exercise to explore opportunities and gaps in the transport sector including transport legislation and transport policies. This is aimed at improving the value offering of the C-BRTA but also advise the Minister of Transport and the PCOT on what is required to improve on the Agency's mandate and enhance its organisational sustainability.

3. Performance Information by Programme

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

PROGRAMME 1: Regulatory and Legal Services

PROGRAMME 2: Road Transport Inspectorate

PROGRAMME 3: Facilitation and Industry Development

PROGRAMME 4: Strategic Support

- Project Management Office
- Business Performance, Risk Management and Internal Controls

PROGRAMME 5: Administration

- Corporate Services
- Governance
- Finance, Supply Chain Management (SCM) and Information Technology (IT)

This section outlines the C-BRTA's performance for the financial year 2014/15.

The Agency's overall achievement of its predetermined objectives for the 2014/15 financial year is 69% which signifies an improvement of four percent (4%) from the prior year's performance of 65%. During the period under review, the Agency encountered capacity challenges in its ability to deliver on its annual performance targets that are articulated in its Annual Performance Plan.

Table 1: Expenditure

	2014/2015			2013/2014		
PROGRAMME	**BUDGET**	**ACTUAL EXPENDITURE**	**(OVER)/UNDER EXPENDITURE**	**BUDGET**	**ACTUAL EXPENDITURE**	**(OVER)/UNDER EXPENDITURE**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Administration	64,759	77,757	(12,998)	62,598	75,311	(12,713)
Facilitation and Industry Development	20,047	10,713	9,334	17,488	11,829	5,659
Road Transport Inspectorate	77,639	81,826	(4,187)	60,749	72,778	(12,029)
Regulatory and Legal Services	27,053	23,608	3,445	23,599	21,335	2,264
Strategic Support	24,458	10,811	13,646	21,335	5,937	15,398
Total	**213,956**	**204,715**	**9,241**	**185,769**	**187,190**	**(1,421)**

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

Table 2: Key performance indicators with achieved targets

NO.	KEY PERFORMANCE INDICATOR	PERCENTAGE ACHIEVED	EXPLANATION
1	Implemented scientific tool used by Regulatory Committee	100%	Target achieved
2	Developed and implemented Operator Compliance Accreditation Scheme (OCAS)	100%	Target achieved
3	Operationalised smart law enforcement system	100%	Target achieved
4	Number of inspections conducted	123%	Target exceeded
5	Implemented empowerment initiatives	100%	Target achieved
6	Percentage achieved on client satisfaction survey conducted	105%	Target exceeded
7	Cross-border road transport report submitted to the Minister of Transport and other relevant stakeholders	100%	Target achieved
8	Enhance performance standards aligned to organisational strategic objectives and values	100%	Target achieved
9	Maintain an unqualified audit opinion	100%	Target achieved

Table 3: Key performance indicators with non-achieved targets

NO.	KEY PERFORMANCE INDICATOR	EXPLANATION
10	Developed and implemented new permit system	Target partially achieved There was lack of expert capacity in the C-BRTA which required the services of an experienced transactional advisor to assist in the development of draft IT business requirements and bid specifications. Further advice was sought on the suitable business solution to the Agency. Mitigation measures are put in place to ensure the new permit system is implemented in the new financial year.
11	Permanent deployment of inspectors within 2km proximity from major borders	Target partially achieved Permanent deployment of inspectors materialised for only two (2) border posts with an exception of Oshoek and Groblerbridge border posts owing to passenger transport conflict that erupted on the N4 corridor which required re-assignment of Road Transport Inspectors nationally. This compromised manning of the aforesaid border posts. The conflict required contingent deployment of C-BRTA inspectors for the greater part of the 4th quarter, which resulted in taking resources from other regions other than Mpumalanga.
12	Improved organisational culture	Target partially achieved The execution of the culture survey was deferred to the next financial year due to the need for enormous human resource interventions in the financial year including but not limited to the organisational realignment.
13	Developed and implemented financial sustainability strategy/model	Target partially achieved Developing the strategy and implementing one additional revenue stream in the same financial year became impossible owing to the need to expand the focus of the financial sustainability strategy. Some of the recommended revenue streams required legislative enablement and MoU's in order to activate. The Financial Sustainability Strategy was drafted, presented and approved after the financial year end.

3.1. PROGRAMME 1: REGULATORY AND LEGAL SERVICES

3.1.1. Divisional Executive Summary

There was an overall decrease of 1.42% in permits issued year-on-year during the year under review, which translates into a decrease of 1 140 permits. The projection for permits to be issued for the 2014/15 financial year as per the Annual Performance Plan amounted to 67 000 permits, while the actual total number of permits issued amounted to 78 884 permits.

The Central African Road Services (CARS) lodged an application to compel the Agency to issue permits against payment of the old permit tariffs. The grounds for the appeal are, in a nutshell, that the court erred in declaring the 2011 regulations invalid with full retrospective effect as it misconstrued the effect of the lapsing of a suspension order of a declaration of invalidity and the relief granted was done so beyond its remit.

The petition for leave to appeal was served before the Constitutional Court on 17 February 2015 and judgment was reserved. The Constitutional Court held that where the period of suspension lapsed without the enactment of remedial legislation, the default position is that a declaration of invalidity oparates retrospectively. The appeal was dismissed on 12 May 2015.

3.1.2. Introduction

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

3.1.3. Strategic Objectives

- To introduce and implement regulated competition
- To promote efficiencies in permit issuance

3.1.4. Operational Performance

3.1.4.1. Regulatory Unit

There was an overall decrease of 1.42% in permits issued year-on-year during the year under review, which translates into a decrease of 1 140 permits. The projection for permits to be issued for the 2014/15 financial year as per the Annual Performance Plan amounted to 67 000 permits, while the actual total number of permits issued amounted to 78 884 permits.

There was an overall decrease 26.9% in respect of cabotage permits for both freight and passenger movement, down from 93 to 68 permits. This outcome can be attributed to stringent compliance to the general prohibition of cabotage as per the provision of section 32 of the C-BRT Act. The Act however, does afford the Regulatory Committee the discretion to uplift this prohibition subject to an applicant meeting certain stringent requirements. This prohibition is geared towards protecting the domestic freight and passenger industry market.

Permits issued to freight carriers decreased by 2.01% during the year under review, down from 63 935 to 62 647. Hereto follows a statistical overview of the freight permits issued per country.

Table 1: Goods Permit Statistics

COUNTRY	2014/15	2013/14	% MOVEMENT
Angola	200	0	200%
Botswana	7 875	8 180	(3.73)%
Democratic Republic of Congo	3 536	3 328	6.25%
Lesotho	3 896	4 026	(3.23)%
Malawi	1 809	1 814	(0.27)%
Mozambique	11 299	10 625	6.34%
Namibia	6 648	6 234	6.64%
Swaziland	5 355	5 281	1.40%
Zambia	12 391	13 271	6.63%
Zimbabwe	9 599	10 666	(10.0)%
Cabotage	39	60	(35)%
Total	**62 647**	**63 935**	**(2.01)%**

Permits issued for taxi operations increased by 5.16% during the year under review, up from 11 062 to 11633. Hereto follows a statistical overview of the taxi permits issued per country.

Table 2: Taxi Passenger Permit Statistics

COUNTRY	2014/15	2013/14	% MOVEMENT
Botswana	430	437	1.60%
Democratic Republic of Congo	02	04	(50%)
Lesotho	2093	2 718	(23)%
Malawi	25	20	25%
Mozambique	4 907	4 390	11.78%
Namibia	81	154	(47.40)%
Swaziland	539	422	27.73%
Zambia	35	35	-
Zimbabwe	3 521	2 882	22.17%
Cabotage	0	0	-
Total	**11 633**	**11 062**	**5.16%**

Permits issued for bus operations decreased by 19.67% during the year under review, down from 2 781 to 2 234. Hereto follows a statistical overview of the bus permits issued per country.

Table 3: Bus Passengers Permit Statistics

COUNTRY	2014/15	2013/14	% MOVEMENT
Botswana	116	484	(76.03)%
Democratic Republic of Congo	18	14	28.57%
Lesotho	410	506	(18.97)%
Malawi	128	167	(23.35)%
Mozambique	319	542	(41.14)%
Namibia	43	53	(18.87)%
Swaziland	71	73	(2.74)%
Zambia	82	65	26.15%
Zimbabwe	1 047	877	19.38%
Cabotage	0	0	-
Total	**2 234**	**2 781**	**(19.67)%**

Permits issued to tourist operations increased by 5.52% during the year under review, up from 2 246 to 2 370. Hereto follows a statistical overview of the tourist permits issued for the region:

Table 4: Tourist Permit Statistics

COUNTRY	2014/15	2013/14	% MOVEMENT
Regional	2341	2 213	5.78%
Cabotage	29	33	(12.12)%
Total	**2 370**	**2 246**	**5.52%**

3.1.4.2. Legal Services

3.1.4.2.1. Introduction

The Legal Services Unit focused on the vetting of contracts, drafting of service level agreements, litigation management, research and provision of legal advice as part of its normal operational activities. It specifically supported the training interventions being undertaken by the Road Transport Inspectorate in the regions and convened workshops with cross-border passenger operators to discuss areas for reform in respect of the bi-lateral road transport agreements.

3.1.4.2.2. Litigious Matters

The Unit manages a number of litigious matters as part of its activities in respect of litigation management, the most significant of which include the following:

a) CARS & DEERNAM/ / C-BRTA

Application for leave to appeal (2011 Regulations)

An application for leave to appeal to the Constitutional Court against the High Court judgment declaring the 2011 Permit Tariff Regulations invalid retrospectively was lodged. The Constitutional Court granted leave to appeal on the basis that the matter was about the constitutional invalidity of the law in question. The Agency further requested the Constitutional Court to replace the declaratory order of invalidity with the order limiting the retrospective effect of invalidity. The appeal was dismissed on 12 May 2015.

Civil Claim

The Constitutional Court declared the 2011 permit tariffs invalid and with effect from the time when they were promulgated on 31 March 2011. The effect of this decision is that the Agency has over collected an amount of R318 million owing to charging operators on the basis of the tariff fees that came into effect on 1 April 2011.

CARS on the basis of the declaretory order issued by the High Court Instituted a civil claim for the repayment of the over payment in permit fees for the period April 2011 to August 2013.

Review Application: 2014 Regulations

The Minister of Transport published draft Cross-Border Road Transport Act Regulations, 2013 ("2013 Regulations") in order to respond to the challenge brought about by the expiration of the suspension order granted by Makgoka J on 15 February 2014. The 2013 Regulations were published on 19 November 2013 for a period of 30 days to solicit the comments from industry. Comments were received from the various stakeholders and consultation was held on 16 April 2014 with all stakeholders that commented on the draft 2013 Regulations. The Minister subsequently promulgated the Cross-Border Road Transport Act Amendment Regulations, 2014 on 6 May 2014.

The applicant filed a review application on the Agency on 1 September 2014 seeking an order reviewing and setting aside the 2014 Regulations promulgated on 6 May 2014 and declaring the 2014 Regulations to be inconsistent with the Constitution and invalid. The applicant contends that 2014 Regulations are inconsistent with the Constitution and invalid on the basis that:

a) It is ultra vires the permit fee making power conferred on the Minister by section 51 of the Cross-Border Road Transport Act, as amended;
b) The Minister of Transport had regard to irrelevant consideration in making these regulations and failed to have regard to relevant considerations in doing so;
c) The 2014 Amendment Regulations were made for a purpose ulterior to those authorised by the Act;
d) Having regard to the differences between a power of taxation and a power to impose permit fees on proper interpretation of section 51 of the Act, the Minister –
    - Is only authorised to impose on cross-border hauliers those permit fees that are necessary to defray the costs of its regulation;
    - May not impose fees on cross-border hauliers meant to subsidise the cost of regulating cross-border passenger carriers;
    - May not impose fees that are likely to generate a surplus over operating expenses of the Agency;
    - Must take into account any material accumulated surplus when setting fees for permits.

The argument of cross-subsidisation (taxation) was extensively dealt with during the initial review application. The court found that the additional levy imposed on the tariffs for freight operators, as a result of the policy decision of cross-subsidisation, do not amount to a tax. The North Gauteng High Court came to this conclusion due to the fact that the tariffs does not meet the requirements as per section 77(1) (b) of the Constitution as well as the test that a tariff must satisfy in order qualify as a tax.

The Agency is opposing the review application and the matter is currently pending.

b) CARTE BLANCHE CC, CBM HOT EXPRESS CC, CLEAR ENTERPRISES (PTY) LTD & WEST TRUCKING (PTY) LTD // CBRTA & FOUR OTHERS

Various applicants that conduct cross-border road transport lodged an urgent court application against the Agency. In Part A of the application the Applicants sought to interdict the Agency from detaining or impounding the Applicant's vehicles while Part B seeks an order to declare Section 31 & 40 (1) of the Cross-Border Road Transport Act, as amended, invalid & unconstitutional. Part A of the application was heard on 3 December 2013 and dismissed by the Court while Part B is still pending.

c) MURANGA AND OTHERS // CBRTA

Various officials from the Road Transport Inspectorate instituted a civil claim against the Agency for alleged breach of employment contracts. The plaintiffs (officials) allege that the Agency, in terms of its contracts of employment, was obliged to render proper administration of its provident fund, to provide a travelling allowance of R3,252.61 per month and not to cause the plaintiffs to suffer stress and psychological trauma by deliberate breach of or neglect of the contracts of employment. The plaintiffs furthermore allege that the Agency has breached their contracts by failing to pay them the agreed amount upon travelling allowances and to render proper provident fund administration. The plaintiffs accordingly claim R51,747,500 (R1,478,500 each).

The Agency is oppose the claim and the matter is still pending.

d) SWAZI MARINE INTERNATIONAL // CBRTA

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

An application to have the matter struck from the roll was filed which was opposed by one of the applicants. The court accorded the latter applicant time to prepare and file papers. The application is still pending.

3.1.5. Strategic Interventions

3.1.5.1. Market Access Regulation

The Agency is, amongst others, mandated to regulate access to the cross-border road transport market through a permit administration regime. The Act specifically mandates the Agency to introduce regulated competition in respect of cross-border passenger road transport and to empower the industry to regulate themselves incrementally to improve the safety, security, reliability, quality and efficiency of services.

In order to respond to the latter legislative task the Agency conceptualised the Market Access Regulation Project as part of its Changing Gears Strategy. The first phase of the project was executed during the 2012/2013 and focussed on three deliverables, namely:

- Passenger flow analysis to determine impediments on the Gauteng-Beitbridge (Zimbabwe) and Gauteng Lebombo (Maputo) corridors.
- Route utilisation studies for taxis and buses on the identified corridors.
- Development of an electronic model to assist with future regulation of cross-border passenger movements.

One of the limitations identified during the execution of the first phase of the project was the limited time and budget allocated in respect of the physical field surveys executed along the Zimbabwe and Maputo corridors. Thus the objective of this phase (second phase) of the Market Access Regulation Project was to do a more in depth market survey to:

- Determine the cross-border passenger road transport demand and supply dynamics on identified routes;
- Determine the market dynamics between peak and off-peak periods;
- Execute surveys over a period of one week, both during peak (festive / Easter period) and off-peak season.
- Execute a market mode share analysis;
- Promote competitive cross-border passenger road transport;
- Update the existing Market Access Regulation model and to inform Regulatory Committee decision-making; and so on.

The second phase of the study was executed and concluded during the 2013/14 financial year. The outcomes of the study were presented to the Committee at a workshop on 22 August 2014 and for deliberation and decision making at its meeting on 19 September 2014. The Committee approved the Implementation Framework and market access tool (scientific model) that in turn paved the way for piloting and testing the model. A market access report template was developed to operationalise the findings of the study by providing the Regulatory Committee members with sufficient information on the number of valid permits in the market to make informed decisions on market demand and supply per route.

The Regulatory Services Unit engaged various stakeholders, operators and regional counterparts (Botswana and Malawi), on the importance of regulated competition in the passenger industry, the purpose and objective of the market access study, the study outcomes and specific policy considerations for future implementation. Operators were allowed to share their views and to comment on the findings of the study by means of focus group consultations. Regional stakeholders requested further engagement on the study and its findings. This process is part of a broader consultation process which will ultimately culminate in set of recommendations to be considered by the Regulatory Committee insofar as it relates to the need to make policy decisions.

3.1.5.2. Developed and implemented Operator Compliance Accreditation Scheme (OCAS)

The following stakeholder engagements were executed during the year under review:

Consultation with Malawi and Botswana

A workshop on the OCAS Concept and Framework was held during October 2014 in Gaborone, Botswana with the Department of Transport, the Botswana Police Services and the Botswana Unified Revenue Services. The Department is in support of the project and its objectives and indicated that there was a need to sell the concept to their political principals and industry stakeholders. The representatives indicated that they intend to invite the Agency to assist with these engagements since they did not have the confidence to present the concept. The Department furthermore indicated a need for all SADC countries have a joint workshop to discuss OCAS, its objectives and implementation.

A follow-up workshop was held with the Ministry of Transport and Public Works in Malawi, during January 2015, on the OCAS Concept and Framework. The workshop was also provided with an overview of the OCAS Standards. The Ministry indicated their support for the scheme and recommended that the SADC Secretariat should be engaged to obtain buy-in. In addition the Ministry also proposed that, at some point, all SADC countries should meet as a collective with the aim of deliberating and soliciting agreement on the standards and a strategic implementation plan for OCAS.

Consultation with provinces

The OCAS Concept, Design Framework and Standards were presented at a provincial workshop attended by the Western Cape, Eastern Cape and Northern Cape Departments of Transport. The latter provincial departments indicated their support for the scheme and recommended the following:

a) OCAS should be presented at the MINMEC and COTO platforms.
b) The standards should address the passenger safety and comfort with specific reference to air-conditioning, seat belts and fire extinguishers.
c) There should be a traffic contravention system in the absence of AARTO.
d) The Scheme should recognise other existing standards and accreditations systems such as the SANS 10399, ISO 13001 and the Road Transport Management System.

The representative from the Northern Cape indicated that the province would request the Agency to present the Scheme to the Executive structure in the province.

Benchmarking study

A delegation consisting of senior management visited China and India to execute benchmarking assignment for OCAS. This follows a recommendation by the Minister of Transport to benchmark OCAS in the BRICS countries as it may have similar transport developmental challenges. The following stakeholders were engaged during the benchmarking visit in China: China Road Transport Association; Liuliqiao Transport Hub; and Ministry of Transportation.

The delegation subsequently engaged with the following stakeholders during the India benchmarking visit: Ministry of Roads, Transport and Highways; Ministry of Home Affairs (Land Ports Authority of India); United Nations Economic and Social Commission for Asia and the Pacific (ESCAP); The World Bank, Delhi Office; Ministry of Tourism; Institute of Road Traffic Education; and Delhi Integrated Multimodal Transport Systems Limited.

The following key deliverables were achieved during the year under review:

- Consolidated stakeholder consultation report;

- Specifications and Terms of Reference for the ICT system;
- Review of business rules and standards; and
- Execution of a feasibility study.

3.1.5.6. Draft CBRT Act Amendment Regulations (permit tariff adjustment)

Stakeholders during a consultation session, prior to the promulgation of the 2014 Regulations, recommended that an automatic escalation clause be included in the Regulations to make provision for regular tariff increases based on CPIX. It was contended that this will provide for greater certainty in terms of the quantum and impact of future tariff increases. This proposed amendment was taken on board with the promulgation of the 2014 Regulations. The Treasury MTEF technical guidelines were used to calculate the percentage increase, projected to be 5, 6%, for the 2015/16 financial year which would realise projected revenue of R192.1 million. It should however be noted that the official average annual CPI for 2014, as per Statistics South Africa, amounts to 6.1% which would translate in a projected revenue of R193 million.

The Board adopted the draft regulations at its meeting of 28 January 2015 and resolved to request the Minister of Transport to publish the draft Regulations for comment. The draft Regulations were dispatched to the Department of Transport with a request to process for purposes of public consultation.

3.1.5.7. Draft CBRT Act Amendment Regulations (electronic route adherence)

The Legal Services Unit was mandated to develop Cross-Border Road Transport Regulations to put in place an electronic route adherence scheme for the control and monitoring of foreign registered freight vehicles. A Route Adherence Policy and Technical Scoping Document were developed to provide a policy framework for the implementation of a route adherence scheme. Draft regulations were developed that will be tabled at the relevant internal structures for approval prior to requesting the Minister of Transport to process for purposes of public consultation.

3.1.5.8. Passenger Operator Audit

An operator audit on cross-border passenger operators (taxis) was executed during the year under review in order to assess the operating status of vehicles on different transport regulatory systems, i.e. Cross-Border Road Transport Systems (CBRTS), National Land Transport Information System (NLTIS) and e-Natis. The objective of the audit is to mitigate against the abuse of different regulatory regimes as a result of a lack of transport systems integration which may also be the cause of conflict on different routes.

The audit revealed that the Agency currently has 58 taxi associations registered with it that operate on various routes to Botswana, Mozambique, Namibia, Swaziland and Zimbabwe. The operators can be categorised into the following categories:

- 547 members with cross-border permits;
- 154 members with operating licenses; and
- 221 members who have concurrent provincial and cross-border route authorities.

The National Land Transport Act, as amended, makes provision for a vehicle to be issued with a dual authority within confined parameters. It is envisaged that some of the permit authority will be withdrawn, after having followed a process in compliance to the prescripts of administrative justice, to the extent that the dual route authorities does not conform to the legal prescripts.

Table 5: Regulatory and Legal Services Performance against Pre-determined Objectives

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	BASELINE	TARGET	PERFORMANCE RESULT	VARIANCE EXPLAINED
To introduce and implement regulated competition.	Implemented scientific tool used by the Regulatory Committee.	None	Approved framework Adopted scientific tool Piloted and refined scientific tool.	Framework approved MAR tool adopted, piloted and refined.	Target achieved.
To promote efficiencies in permit issuing.	Developed and implemented new permit system.	None	Develop and pilot the new permit system.	Business requirements and Bid Specifications and requirements for the new permit system finalised and to be quality checked by the transactional advisor.	Target not achieved. There was lack of expert capacity in the C-BRTA which required the services of an experienced transactional advisor to assist in the development of draft IT business requirements and bid specifications. Further advice was sought on the suitable business solution to the Agency. Mitigation measures are put in place to ensure the new permit system is implemented in the new financial year.

3.1.6. Strategy to Overcome Area of Under Performance

In order to facilitate the successful development of the new permit system, the C-BRTA has increased its expert capacity in the IT environment by appointing a CIO who will provide strategic leadership on ICT matters. The Agency has also commenced with sourcing a transactional advisor to assist in identifying the best business solution. It is envisaged that a new system will be piloted in the new financial year.

3.1.7. Changes to planned targets

There were no changes to planned targets for this programme.

3.1.8. Linking performance to budget

Table 6: Expenditure: Regulatory and Legal Services

	2014/2015			2013/2014		
PROGRAMME/ACTIVITY/ OBJECTIVE	BUDGET	ACTUAL AMOUNT	(OVER)/ UNDER SPEND	BUDGET	ACTUAL AMOUNT	(OVER)/ UNDER SPEND
	R'000	R'000	R'000	R'000	R'000	R'000
Regulatory and Legal services	27,053	23,608	3,445	23,599	21,335	2,264

The Division achieved its objectives except the one relating to the development and implementation of the new permit system. The under-spending on the budget relate to saving on professional services.

3.2 PROGRAMME 2: ROAD TRANSPORT INSPECTORATE

3.2.1. Divisional Executive Summary

The Division had four (4) key performance indicators in the Annual Performance Plan to deliver on. The four objectives are as follows:

- Development of smart law concept document;
- Deployment of inspectors within 2km radius of the border;
- To conduct targeted inspections; and
- To develop and implement the operator Accreditation Scheme.

Three key performance targets were achieved except for the deployment of inspectors within 2km radius of identified borders. The limitation in this regard was as a result of emergent taxi conflict in the N4 corridor compelling withdrawal of inspectors from the borders to mann the N4 corridor to quell the conflict. Limited number of inspectors in the Inspectorate in relation to the number of commercial borders aggravated the problem.

The target on the number of inspections was exceeded in the year under review. This provided a level of insight on the levels of compliance by cross-border road transport operators along the corridors. An analysis tool is being developed to document the findings during the conducting of inspections by road transport inspectors.

Illegal passenger transport operations continue to be on the rise as a result of limited resources on the ground as well as a cross-border permit not being a requirement to transit the border precinct. Work is underway to facilitate partnerships with border stakeholders to ensure that a cross-border permit becomes a requirement to cross the border for all commercial vehicles.

100% of OCAS targets were achieved in the financial year.

3.2.2. Introduction

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 supporting the safety of freight and passengers in the Southern African Region through incentive-based voluntary compliance with relevant laws and regulations. The programme is structured to cover the following areas of focus:

- **Law enforcement -** which involves targeted roadside inspection to ensure compliance to all cross-border road transport legislation as well as to the SADC Protocol. This is the core functional area of the programme that involves prosecution of non-compliances. Key to the success of the programme is the development of Inspectors as well as collaboration with other law enforcement institutions.
- **Law enforcement profiling –** which involves intelligent evidence based decision making and developing law enforcement standard benchmarks.
- **Training and external activities –** Law enforcement is a specialised area requiring extensive training in law enforcement and vehicle standards. This necessitates strategic partnering with law enforcement training institutions and other stakeholders to harmonise operating procedure and standards.

3.2.3. Strategic Objectives

- To generate and deploy strategic intelligence capabilities to improve compliance with road transport legislation

3.2.4. Operational Performance

The overall performance achievement of the Road Transport Inspectorate for the financial year in question is 75%. The Division achieved three (3) of its four (4) predetermined annual targets.

The target of inspections was exceeded by 41 520 inspections. The sharp increase in the number of inspection was as a result of deployment of twenty (20) additional trainee inspectors who were later permanently absorbed in the Agency. Permanent deployment in closer proximity to the border also assisted in the monitoring of all identified traffic towards or from the commercial borders. The increase represents a four percent (4%) increase compared to last year's performance.

The development of the smart law enforcement concept document was delivered well within the financial year. The concept document revealed the need for combination of smart law enforcement and smart policing. The use of information as a source of proactive and informed enforcement was elevated in the concept document. The concept document has laid good foundation for the development of a smart law enforcement strategy which is due in the new financial year.

Great strides were made with the progress in developing Operator Compliance Accreditation Scheme. A feasibility study on the implementation and need for OCAS was conducted and the industry has demonstrated a need for such a system which is government administered. Business rules and standards of OCAS were developed in consultation with industry stakeholders including majority SADC member states. ICT terms of references were initiated and a full development will continue in the new financial year.

The Road Transport Inspectorate participated in various road safety initiatives and joint law enforcement operations in support of the Decade of Action for Road Safety campaign. These activities not only assisted in improving the visibility and productivity of the Inspectorate, but also contribute immensely to relations with other law enforcement stakeholders.

The Training and External Activities Unit facilitated several training interventions during the year under review, i.e. refresher training for inspectors, Incident Management training in conjunction with SANRAL, peace officer training with Johannesburg Metropolitan Police Department for the recruited inspectors and the pass out parade.

Standard Operating Procedures manual was amended, printed in pocket book sized and distributed to the Inspectorate to ensure consistency in the interpretation and application of the Cross-Border Road Transport Act (Act 4 0f 1998). Benchmarking studies were conducted on cross-border law enforcement standards and practises were executed in Canada, Mozambique and Zambia. The outcomes of these studies will provide a basis for engaging our counterparts to investigate opportunities for harmonising cross-border enforcement practises.

Table 1: Road Transport Inspectorate Performance against Pre-determined Objectives

STRATEGIC OBJECTIVE	PROGRAMME PERFORMANCE INDICATOR	BASELINE	TARGET	PERFORMANCE RESULT	VARIANCE EXPLAINED
To generate and deploy strategic intelligence capabilities to improve compliance with road transport legislation .	Developed and Implemented Operator Compliance Accreditation Scheme (OCAS).	None	Consultation and Approved business rules and standards.	Consultation conducted and business rules and standards approved.	Target achieved.
	Operationalised smart law enforcement system.	None	Adopted research paper (Business case).	Research paper on Smart Law approved.	Target achieved.
	Permanent deployment of Inspectors within 2km proximity from major borders.	None	4 Borders	50% Permanent Deployment was done at Maseru and Beit bridge border posts.	Target not achieved. Permanent deployment of inspectors materialised for only two (2) border posts with an exception of Oshoek and Groblerbridge border posts owing to passenger transport conflict that erupted on the N4 corridor which required ressignment of road transport inspectors nationally, compromising manning of the aforesaid border posts. The conflict required contingent deployment of C-BRTA inspectors for the greater part of the 4th quarter, taking resources from other regions other than Mpumalanga.
	Number of inspections conducted.	211 798	178 753	220 273	Target exceeded. 20 additional trainee inspectors were deployed in support of the current personnel. These 20 trainee inspectors were later absorbed by the agency on a permanent basis.

3.2.5. Strategy to Overcome Area of Under Performance

Dedicated capacity has been planned for permanent deployment at borders that were not covered during the period under review. This includes additional ports of entry identified in the next financial year.

3.2.6. Changes to planned targets

There were no changes to planned targets for this programme.

3.2.7. Linking performance to budgets

Table 2: Expenditure: Road Transport Inspectorate

	2014/2015			2013/2014		
PROGRAMME/ACTIVITY/ OBJECTIVE	BUDGET	ACTUAL AMOUNT	(OVER)/ UNDER SPEND	BUDGET	ACTUAL AMOUNT	(OVER)/ UNDER SPEND
	R'000	R'000	R'000	R'000	R'000	R'000
Road Transport Inspectorate	77,639	81,826	(4,187)	60,749	72,778	-12,029

The RTI division recorded over achievement on the inspections. However, the division over-spent on travel and subsistence owing to heightened activities of the Road Transport Inspectorate, which resulted in penalty income exceeding budget by 45%. Furthermore, inspectors had to travel long distances to cover commercial border posts.

3.3. PROGRAMME 3: FACILITATION AND INDUSTRY DEVELOPMENT

3.3.1. Divisional Executive Summary

The Facilitation and Industry Development (FID) Division achieved the indicators and targets as set out in the Annual Performance Plan. The project on empowerment initiatives prioritised the establishment of cooperatives with the view of promoting entrepreneurship among SMMEs in the cross-border industry. The two registered entities, comprised women and youth, were capacitated through training and mentoring activities. In an effort to attract new entrants into the cross-border industry, the Division in partnership with the Regulatory Division, conducted a number of campaigns among prospective operators to promote interest in the industry.

The Division established a number of formal (through MoUs and LoUs) and informal stakeholder relationships and partnerships which were used to address and overcome cross-border impediments and operational constraints experienced by operators domestically and across South Africa's borders. Although many of these challenges were successfully resolved, the corridor through Zimbabwe proves to be the most challenging one. Inspection processes and a number of roadblocks beyond Beitbridge border post are adding to transit delays and operational costs. The requirement for Third Party Insurance is another operational constraint for South African operators in the region.

The Division continued to facilitate the resolution of operator conflicts brought about by differences between taxi associations or associations and their members. Operator's complaints were attended to timeously and escalated to relevant structures.

To ensure the relevance of the Agency in the industry, the division has been participating in structures and networks that seek to improve border post and corridor efficiencies. Participation in the Border Management Agency working groups, the Border Control Operational Coordinating Centre, the Trans Kalahari Corridor and the Beitbridge Efficiency Management System puts the Agency in a position to influence policy and operational decisions affecting cross-border operators.

In an effort to add value to cross-border operators, structures such as the operators' forum, route committee meetings for passenger operators, and one-on-one consultations with freight operators were used to determine their needs. It is therefore not surprising that a customer satisfaction survey conducted by an independent service provider scored the Agency at 63%. This indicates that core divisions of the Agency are delivering value to the customer.

3.3.2. Introduction

The purpose of this Division is to establish and maintain co-operative and consultative relationships and structures with key stakeholders in South Africa and in the SADC region with a view to removing impediments and operational constraints experienced by operators along cross-border corridors. The Division exists to add value to cross-border road transport operations and to ensure the highest level of satisfaction to the clients of the C-BRTA. The Division also performs a critical industry development function by providing training, capacity building and promoting entrepreneurship with a special focus on small, medium and micro-enterprises with an interest in cross-border road transport.

3.2.3. Strategic Objectives

- To increase strategic influence with stakeholders so as to enable the organisation to achieve its objectives.

3.3.4. Operational Performance

3.3.4.1. Implemented empowerment initiatives

The objective of the project was to empower the existing operators in the cross-border road transport industry. The target groups included women, youth, and small, medium and micro-enterprises (SMMEs) in the industry. There are ongoing training interventions to empower and build capacity for SMMEs in the cross-border road transport industry, including campaigns on driver health and wellness for operators and drivers.

The main focus of this indicator was to assist cross-border operators to establish cooperatives as an empowerment vehicle. The project activities entailed a process of identifying business opportunities with cross-border passenger operators, determining the feasibility of identified projects, and mobilising operators to participate through the National Cross-Border Taxi Association (the umbrella body of all cross-border taxi associations) and drafting the Incubation Model for members of the cooperatives. Ultimately, two cooperatives, Sibongumusa Transport Co-operative (comprising women) and Across-Africa Youth Co-operative (comprising youth) were registered with the Companies and Intellectual Property Commission. Implementation of the Incubation Model commenced with training and mentoring of members of the two newly established cooperatives on business skills, governance and business planning. Support for these entities will continue in the 2015/16 financial year.

3.3.4.2. Percentage achieved on client satisfaction survey conducted

The project was aimed at determining the satisfaction levels of cross-border operators with the services that the Agency offers, and to recommend interventions for areas that need improvement. The internally designed customer satisfaction questionnaires were circulated for completion during permit application and during monthly one-on-one engagements with operators in different provinces. The Agency utilised the services of the independent service provider to design a questionnaire and conduct a total of four hundred customer surveys, made up of 300 face-to-face interviews and 100 telephonic interviews. The results indicated a customer satisfaction level of 63%, which is slightly above the targeted 60%. The report also points the Agency to the areas for service improvement going forward.

3.3.4.3. Number of constraints addressed through country engagements

The North South Corridor through Zimbabwe has proven to be a challenge for South African operators. Processes and fees payable at the Zimbabwe Revenue Authority and Container Depot on the Zimbabwean side of the border post are unclear and unpredictable. This results in long transit delays that amount to costly operational constraints for freight operators. Numerous roadblocks between Beitbridge and Harare in Zimbabwe and the associated fines remain an impediment for cross-border operators. These issues have been referred to our counterparts in Zimbabwe, and the Agency has found it extremely difficult to secure bilateral meetings with the Zimbabwean authorities to find resolution to the identified challenges.

The Agency attended to 23 operator constraints that were resolved or escalated. There were eight (8) country engagements to deliberate and find solutions to cross-border constraints as follows:

- Two bilateral meetings with Zambia to address, amongst others, the enforcement of inspections on foreign tankers at the Chirundu border post which is affecting South African operators and contributing to huge delays. There are on-going discussions with the Department of Transport, the SADC Secretariat and the Zambia Road Traffic and Safety Agency on the matter. The Agency is facilitating a meeting between the Zambia Bureau of Standards and the South African Bureau of Standards to explore the harmonisation of regulations.
- Three bilateral meetings with Mozambique to resolve issues pertaining to the feasibility of cross-border operations through the Kruger National Park, fines issued for South African trailers, moratorium on passenger permits, Third Party Insurance, and joint law enforcement operations. Collaboration between the Agency, Mozambique and South African National Parks ensured successful cross-border operations through the Kruger National Park, with Mozambique committing to upgrading the road on the Mozambican side of the park.
- The Agency participated in the joint meeting of the Ministers of Transport in Lesotho to discuss the on-going challenges at the RSA/Lesotho borders that had led to the blockade of the Maseru Border Post. As an

outcome of this engagement, the Agency facilitated the establishment of the Ministerial task team to explore resolution to this long-standing conflict.

- A bilateral meeting with Botswana resolved that Botswana would attach an annexure for the correct route descriptions and conditions to the permit as an interim solution until the implementation of the electronic permit system. The Agency participated in a Bi-National Commission between South Africa and Botswana which resolved that restrictions on the length of South African trucks would be lifted until Botswana had completed the review of their regulations in March 2015.
- A workshop with the Office de Gestion du Fret Multimodal (Office for the Management of Multimodal Freight) of the Democratic Republic of Congo agreed on a working relationship for the benefit of freight operators from South Africa and the Democratic Republic of Congo. A Memorandum of Understanding was drafted to formalise the relationship between the two authorities in order to address operational matters through a formal structure. The MoU is in a vetting process of the Department of International Relations and Cooperation to prepare it for signing.

Third Party Insurance is one of the long outstanding operational constraints for South African operators entering Mozambique, Zambia, Zimbabwe and Malawi. Operators are required to buy additional insurance cover even though they already made arrangements before leaving South Africa. This is challenge brought about by the non-harmonised SADC Yellow Card and the fuel levy systems as practiced in different SADC member states. The Agency has established a task team to investigate the long outstanding issues on Third Party Insurance and Passenger Liability to come up with a lasting solution, taking into consideration the Department of Transport's position on the SADC Yellow Card system. There are consultations with the Department of Transport, the Southern Africa Development Community Secretariat, insurance companies and the Road Accident Fund to find a common ground on the matter. In addition, bilateral engagements with counterparts are ongoing.

3.3.4.4. Number of stakeholder engagements to address border and corridor development interventions

The Agency participated in 28 key stakeholders platforms and structures dealing with border and corridor development matters relevant to cross-border road transport. Of note are the efforts of the Agency to facilitate the resolution of the Maseru Border Post blockade in June 2014. This event was followed by the joint Ministerial meeting in Lesotho and the establishment of the Ministerial task team.

In an effort to influence decisions on cross-border road transport matters, the Agency participated in the stakeholder platforms as follows:

- Border Control Operational Coordinating Centre at local, provincial and national level. This platform is used to address challenges and improve operations at the land ports of entry.
- Participation in the establishment of the Border Management Agency (BMA) which represents the new approach to integrated border management. The Agency contributed to the working committees of the BMA as well as in conducting the international study exercises in different countries.
- The Agency continues to participate in the Beitbridge Efficiency Management System which is a multi-dimensional programme addressing issues aimed at reducing congestion, increasing operational efficiency, reducing waiting times and lowering transaction costs at the border.
- The Agency participated in the Trans Kalahari Corridor (TKC) working groups. As part of the initiative by the three TKC member states to conduct corridor studies and the Department of Transport's project to develop a corridor policy for the country, the Agency participated in and compiled a report on the road inspection exercise between Walvis Bay in Namibia, through Botswana, to OR Tambo International Airport in South Africa.
- The C-BRTA took part in the launch of the Cowrie port of entry, the first integrated border management port of entry in the country.
- The Agency participated on the Corridors Development Committee of the Department of Transport to finalise the draft policy on corridor development.
- The Agency continues to engage relevant stakeholders in Limpopo and the BMA committee on Beitbridge to address illegal cross-border operations and availability of appropriate ranking facilities in Musina.

3.3.4.5. Number of trade constraints/barriers resolved

The Agency made interventions to address a number of trade constraints facing cross-border operators. These include new procedures for abnormal loads permits introduced by the Department of Transport in Kwa-Zulu Natal, impoundment of vehicles, and assisting operators with claims processes for the Road Accident Fund.

The road condition to the Qachasnek border post in the Eastern Cape remains a challenge. As a result, operators have resorted to using light delivery vehicles to pick up and drop off passengers at the border post since the condition of the road makes it difficult to operate minibus taxis. The Agency, with the support of the BCOCC, continues to engage the Department of Roads in the province to address this constraint.

The Agency is actively participating in resolving the availability of ranking facilities in Musina and Polokwane. There are ongoing engagements with relevant Limpopo provincial departments and municipalities to identify suitable facilities for cross-border operations.

3.3.4.6. Number of SMME Initiatives implemented to attract new entrants into the industry

The objective of this indicator was to generate interest in the industry by highlighting opportunities for prospective cross-border operators. To this end, roadshows were conducted in Burgersford, Lephalale and Badplaas. The roadshows also shared information on permit requirements and application processes. The division used the opportunity presented by the October Transport Month networking session held in Malelane, Mpumalanga, to promote business opportunities in the cross-border industry as part of the industry development programme for SMMEs.

3.3.4.7. Partnerships developed and maintained with key stakeholders

The main objective was to create stakeholder relationships that could be used to promote the unimpeded flow of cross-border road transport as well as reducing the operational constraints for the cross-border road transport industry. The Agency engaged a number of municipal, provincial and national authorities and departments to discuss matters relating to cross-border operations such as illegal operations, availability of ranking facilities, a need for joint law enforcement initiatives, diffusion of potential conflict, vehicle roadworthiness, and permit application referral processes. A provincial workshop was conducted with the provincial departments responsible for traffic and transport with a view to discussing the Cross-Border Road Transport Act, the international cross-border road transport agreements, the SADC Protocol on Transport, Communications and Meteorology, and the impact of these documents on the operations of respective authorities.

The Agency convened a meeting of the Stakeholder Consultative Forum where the following stakeholders were represented: the C-BRTA, the Department of International Relations and Cooperation, the Department of Home Affairs, the Department of Trade and Industry, the South African Revenue Service, the Department of Environmental Affairs, the Department of Transport and the Department of Tourism. This was a follow-up meeting since the launch of the Forum to give input into the draft Terms of Reference and map a plan of action for the Forum.

3.3.4.8. Number of signed MoUs and/or LoUs with strategic stakeholders

The objective of this indicator was to enter into formal relationships with key and strategic stakeholders to enable collaboration and partnership on matters relating to cross-border road transport. The Agency signed Memoranda of Understanding (MoUs) with the Ekurhuleni Municipality; the Mpumalanga Department of Public Works, Roads and Transport; and the Limpopo Department of Roads and Transport. In addition, the Letter of Understanding (LoU) was signed with the South African Revenue Service.

In an effort to address the operational constraints facing South African freight operators to the Democratic Republic of Congo (DRC), the Agency forged a relationship with the Office de Gestion du Fret Multimodal (Office for the Management of Multimodal Freight), a public entity under the Ministry of Transport in the DRC mandated to manage cross-border freight movements. A workshop was convened to discuss challenges with the movement of freight by road between South Africa and the DRC and to draft the Memorandum of Understanding. It is envisaged that the signing of the MoU will pave a way for the bilateral cross-border road transport agreement between the two countries.

3.3.4.9. Number of operator conflicts resolved

Conflict in the passenger operations is an undesirable development that has potential to result in violence. The Division managed to intervene and successfully address four conflict situations involving two cross-border taxi associations and three conflict situations involving the association and a member.

3.3.4.10. Number of complaints addressed

Operators lodged their complaints or dissatisfactions directly with the customer services officer, in the operators' forum meetings and in the route committee meetings. In addition, the Agency conducted one-on-one consultations where special visits were paid to operators at their areas of operation. This initiative proved to yield positive results in terms of strengthening relationships with operators. The Agency has successfully addressed over 78% of all complaints registered.

3.3.4.11. Facilitate the establishment of co-operative and consultative relationships and structures between public and private sector

The objective was to establish and develop corridor-based and route-based relationships and structures based on co-operation and consultation between stakeholders and government with interest in cross-border road transport. To this effect, four cross-border passenger forum meetings were held to resolve challenges in various cross-border corridors. The Agency compiled a compendium of issues raised by operators since the launch of the cross-border operators forum and verified the resolution of most of the issues with the National Cross-Border Taxi Organisation, the umbrella body of cross-border taxi operators. The exercise actually confirmed that there has been improvement in the way the Agency responded and addressed issues raised by operators. There is an ongoing challenge with cross-border freight operators who have not attended operator forums for a long time. Efforts have been made to try and address the challenge without success. However, one-on-one consultations with freight operators do take place. In addition, they do attend Joint Route Management Group meetings with counterparts.

3.3.4.12. Review of the constitution of Route Committees

A total of 17 Route committee meetings were convened to look at matters relating to specific cross-border routes. The meetings were also used as a platform to discuss the proposed Terms of Reference for Route Committees in order to improve internal democracy, effectiveness and communication between Route Committees and their constituencies.

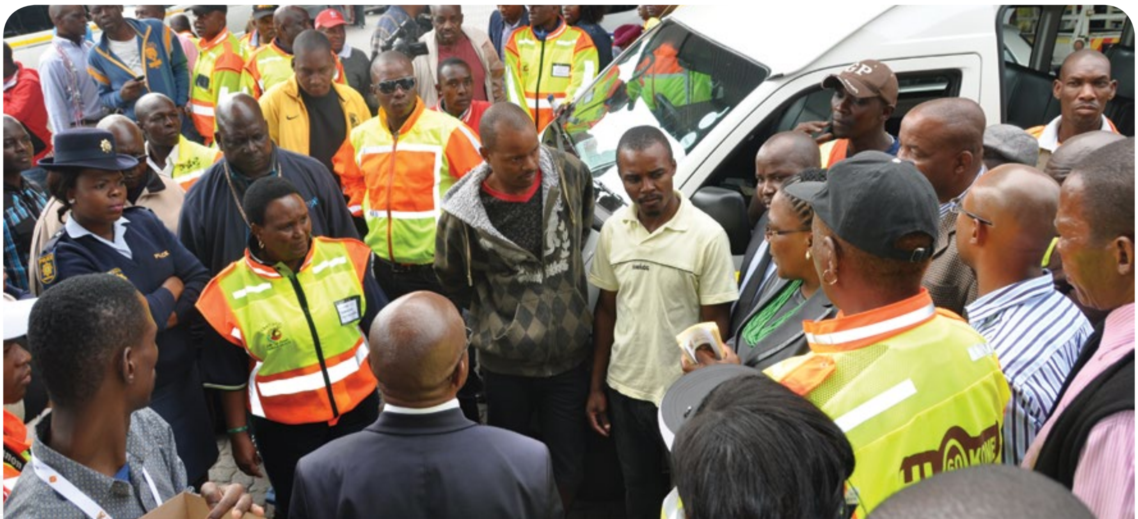


Table 1: Facilitation and Industry Development Performance against Pre-determined Objectives

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	BASELINE	TARGET	PERFORMANCE RESULT	VARIANCE EXPLAINED
To increase strategic influence with stakeholders to enable the organisation to achieve its objectives.	Implemented empowerment initiatives.	None	Establish and incubate two (2) co-operatives targeting women, youth and people with disability.	2 Cooperatives registered with the CIPC.	Target achieved.
	Percentage achieved on client satisfaction survey conducted.	85.3%	60% achievement on client satisfaction survey conducted.	63% achievement on client satisfaction survey conducted.	Target exceeded. The findings of the report indicate that operators showed a high level of satisfaction (72%) with the help desk in the Regulatory division, which they considered to be helpful and accurate. There is also a high satisfaction level (80%) due to the fact that operators were aware that they could lodge complaints with the Facilitation and Industry Development division if they were not satisfied and that their complaints would be addressed.

3.3.5. Strategy to overcome areas of under performance

All the targets for this programme were achieved and therefore no strategy to overcome under performance was necessary.

3.3.6. Changes to planned targets

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

3.3.7. Linking performance to budgets

Table 2: Expenditure: Facilitation and Industry Development

	2014/2015			2013/2014		
PROGRAMME/ACTIVITY/ OBJECTIVE	BUDGET	ACTUAL AMOUNT	(OVER)/ UNDER SPEND	BUDGET	ACTUAL AMOUNT	(OVER)/ UNDER SPEND
	R'000	R'000	R'000	R'000	R'000	R'000
Facilitation and Industry Development	20,047	10,713	9,334	17,488	11,829	5,659

The Division achieved its set targets as per the annual performance plan with limited capacity owing to high vacancy rate in the Division. The vacancy contributed to high saving within the Division.

3.4 PROGRAMME 4: STRATEGIC SUPPORT

3.4.1. Divisional Executive Summary

The Division has championed the management, monitoring and evaluation of the C-BRTA performance. Through continuous engagement with other divisions within the Agency, Strategic Support has provided support to enable the organisation's ability to achieve pre-determined objectives. Further to the above, the Division has provided ongoing project and research support to core Divisions.

Four quarterly performance reports have been delivered to the Shareholder reflecting on performance progress of the C-BRTA and overall performance achievement. Through the support of the Executive Committee and the Board, the Division facilitated the development of the 2015/2020 Strategic Plan and the 2015/2016 Annual Performance Plan. The 2013/2014 annual report was also populated, approved and published in this financial year.

A performance Information policy was developed to amplify organisational performance management, monitoring, evaluation and assessment. A Risk Appetite document of the C-BRTA was also developed in the year under review. A Business Continuity Plan was also developed for the organisation. These documents were presented for approval and are currently being enhanced for final approval in the new financial year.

Internal control were enhanced to engage robustly with line management. Collaboration with all Divisions has seen 92% of the Auditor General recommendations being fully implemented with the majority of the remaining 8% of recommendations being IT related and are being addressed in the 2015/2016 plan.

Research and Project Management office has provided research and project support to the development of Operator Compliance Accreditation Scheme, Smart Law Enforcement, Mandate Review and the development of the Ministerial report. Some of the key recommendations in the Ministerial report were: the need to have international ranking facilities and the need for the C-BRTA Transport Inspectorate to mann weighbridges in close proximity to the commercial borders.

3.4.2. Introduction

The main purpose of the Division is to provide strategic support by driving execution initiatives within the area(s) of project management, research, business performance and risk management within C-BRTA. These initiatives are aimed at enabling the organisation to achieve its objectives and goals on the Agency's Strategy. The Division focused on providing value added research advisory services and promoting a high performance culture within the Agency in the financial year 2014/15.

3.4.3. Strategic Objectives

- To proactively provide value-added advisory services to the transport sector (including the Minister of Transport) on cross-border matters.

3.4.4. Operational Performance

3.4.4.1. Ministerial Cross-Border Road Transport Report

The Ministerial Report articulates major issues in the cross-border road transport industry and its aim is to provide the Minister of Transport, the DoT and other stakeholders with relevant information that will facilitate informed decision making with regard to cross-border related matters as well as areas where the Minister's intervention may be required.

The Report identifies challenges, developments, status of prioritised regional corridors, identifies existing gaps within the regulatory, legislative, corridor environment and recommends interventions that when implemented will lead to unimpeded flow of traffic along regional corridors, reduction of constraints, reduction in the cost of doing business, improvement in productivity, reliability, dependability, industry sustainability and stability.

To this end, the Ministerial Report is an advisory tool that seeks to create a platform for industry stakeholders in policy, operational and regulatory jurisdictions to establish a common perspective to the challenges facing cross-border road transport, developments in the subsector and solutions that may be implemented to overcome the challenges. The implementation of the recommended interventions in the Report is aligned to the aspirations and objectives of the NDP and international road transport agreements. The Report was achieved as planned, in the financial year.

3.4.5. Project Management Office (PMO)

Research Projects

The PMO also delivered two (2) research projects that were targeted for the financial year:

3.4.5.1. Feasibility Study into Placing C-BRTA Inspectors at Weighbridge Locations to Conduct Joint Law Enforcement

The purpose of the feasibility study was to assess the desirability of placing C-BRTA inspectors at fixed weighbridge locations along regional corridors to conduct joint law enforcement inspections with other law enforcement officers. This is one of the recommendations that emanated from the Business Case on Corridor and Border Management Reform report completed in 2013. The report was completed and the recommendations therein will be tabled to EXCO in the next financial year.

3.4.5.2. Identification of Industry Value-Adding Services Research Study

The major aim of the study was to benchmark C-BRTA's service offerings against those of similar entities and agencies in other regions. This report was also completed and will be tabled to EXCO in the next financial year.

3.4.6. Business Performance, Risk Management and Internal Controls

The business performance and risk management sub-division was established to provide an oversight on performance monitoring and evaluation, ensuring effective risk management and deploying a robust internal controls strategy within the Agency.

3.4.6.1. Risk Management

The strategic risk register reflects those key business risks that need to be managed at a strategic level and which if not managed appropriately, could result in the Agency failing to achieve one or more of its key objectives and/or suffer a financial loss or reputational damage.

The risk categories help to group risks according to the various aspects of the Agency and the activities which need to be considered in relation to these risks.

The ten (10) strategic risks of the Agency in the financial year were categorised as follows:

- Six (6) risks fall under the internal processes category;
- Two (2) under financial; and
- Two (2) under customer.

Two risks were migrated from the strategic risk register to the operational risk register reducing the percentage of strategic risk in the register. Two risks of threat of litigation and inability to fund Agency operations remain critical risks in the Risk register.

3.4.6.2. Internal Control

The Internal Control Unit embarked on an extensive audit of the Inspections process flow and reconciliations. This intervention was aimed at improving the administration and management of the inspections business process. The impact of this intervention culminated into accurate and systematic documenting of inspections conducted by Road Transport Inspectorate. A revised business process was introduced.

Contract management within the Supply Chain Management environment value chain was assessed and divisional management advised on the need to rectify areas of concern. Three (3) key findings were raised for divisional management to attend to.

Project management and business performance were assisted with a business process mapping interventions and a revised research process was recommended for implementation as well as provision of recommended business processes.

Of the Auditor-General's recommendations provided in the previous financial years, 92% of the recommendations have been fully implemented and eight percent (8%) are in the process of being implemented. The majority of the 8% reside in the information technology environment and are in the process of being implemented. Seventy percent (70%) of the Internal Audit findings have been fully implemented with 30% being in the process of being implemented.

In relation to risk management, there has been notable improvement in the performance of the organisation as articulated in the level of attainment of pre-determined objectives.

Table 3: Strategic Support Performance against Pre-determined Objectives

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	BASELINE	TARGET	PERFORMANCE RESULT	VARIANCE EXPLAINED
To proactively provide value added advisory services to the transport sector (including the Minister of Transport) on cross-border matters.	Cross-border road transport report submitted to the Minister and other relevant stakeholders.	None	1 Cross-border road transport report	1 Cross-border road transport report	Target achieved

3.4.7. Strategy to overcome areas of under performance

All the targets for this programme were achieved and therefore no strategy to overcome under performance was necessary.

3.4.8. Changes to planned targets

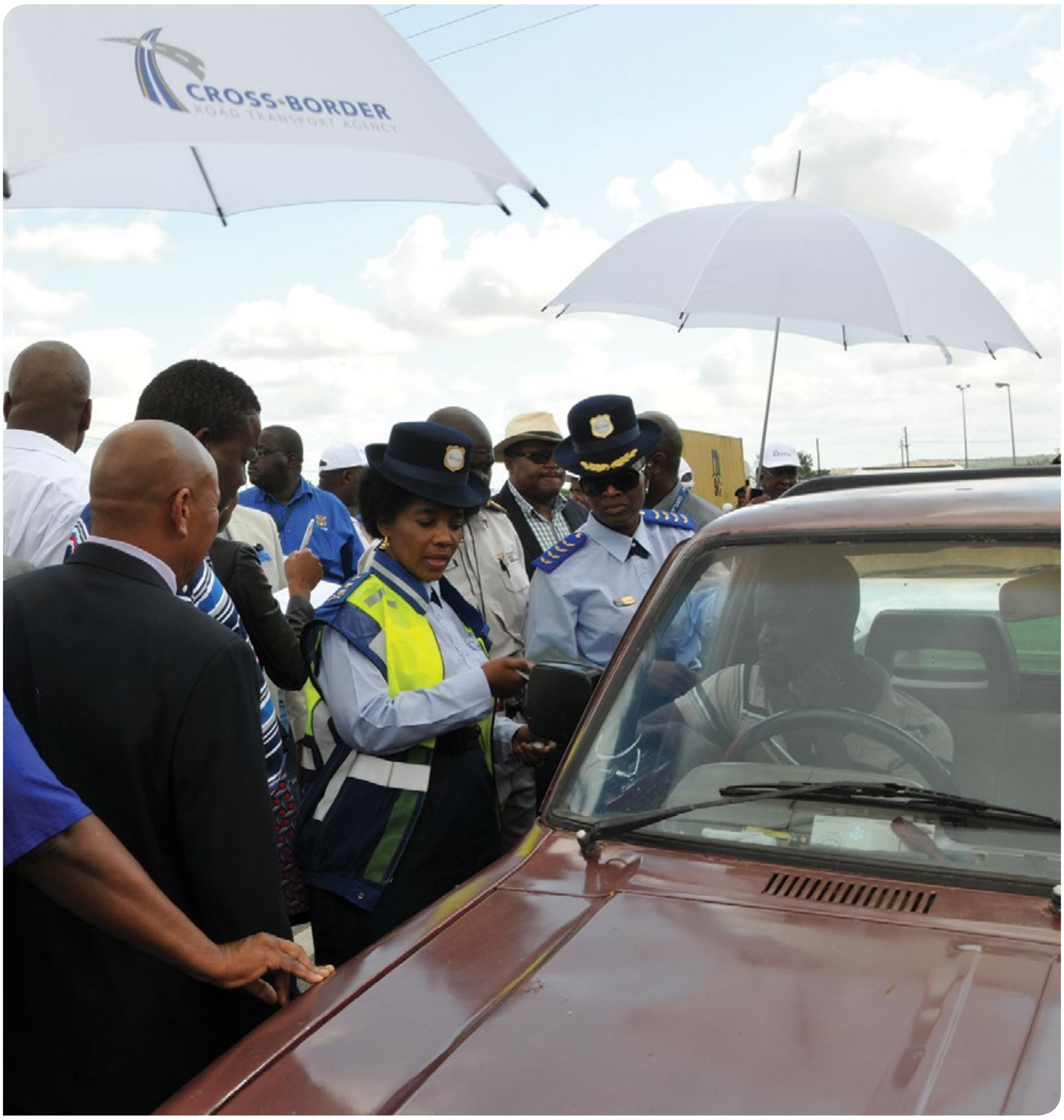
There were no changes made to planned targets for this programme.

3.4.9. Linking performance to budgets

Table 4:Expenditure: Strategic Support

	2014/2015			2013/2014		
PROGRAMME/ACTIVITY/ OBJECTIVE	BUDGET	ACTUAL AMOUNT	(OVER)/ UNDER SPEND	BUDGET	ACTUAL AMOUNT	(OVER)/ UNDER SPEND
	R'000	R'000	R'000	R'000	R'000	R'000
Strategic Support	24,458	10,811	13,646	21,335	5,937	15,398

The Division achieved its performance target as per the Annual Performance Plan, however there are a number of strategic projects like OCAS and the implementation of the recommendations of the Business Case on Border Modernisation which the Division is responsible for, amongst others. Some of these projects were delayed owing to lack of capacity and the impact of the litigation on the organisational sustainability.



3.5 PROGRAMME 5: ADMINISTRATION

3.5.1. PROGRAMME 5.1: CORPORATE SERVICES

3.5.1.1. Divisional Executive Summary

The Division embarked on numerous projects linked to the strategic objectives as per the Annual Performance Plan (APP) namely the remuneration and rewards, organisational realignment, skills audit and performance management. All these projects were aimed at enhancing performance and ensuring achievement of pre-determined objectives that are articulated in the APP as well as ensuring that the contribution of employees towards the achievement of organisational goals are recognised and appropriately rewarded. This further ensured that the Agency is able to retain scarce and critical skills and to plan accordingly for succession.

The C-BRTA Human Resources Management Division was preoccupied with the review of the organisational structure and progressively capacitating the organisational structure to enable the realisation of the strategic and pre-determined objectives. Four (4) Executive positions have been filled in the year under review. This intervention increased the gender parity in the Executive level with bias towards women with 50% increase against male Executives.

The human resource environment is dynamic and continuously evolves. This has necessitated the need to review all HR policies and introduce additional policies to amplify a performance management culture.

Twenty (20) of the 21 Road Transport Inspectorate trainees who successfully completed the training for Law enforcement were formally absorbed in the C-BRTA as permanent employees of the C-BRTA.

Security breach to the premises of the C-BRTA was experienced in 2014/2015. Agency offices were broken into and resources were stolen from the premises irrespective of security measures in place. A biometric system was installed in the premises to improve office security.

3.5.1.2. Introduction

The purpose of the Division is to provide professional advice and related services, human resources and facilities management to enable and enhance business delivery. These services will include developing and adopting strategies that are responsive to the business strategy and strategic tasks confronting the Agency.

3.5.1.3. Strategic Objectives

- Develop and implement a high performance culture in the organisation.

3.5.1.4. Operational Performance

3.5.1.4.1. Development, approval and implementation of the Performance Management System (PMS)

The PMS policy was developed to drive employee behaviour to align with organisational goals and objectives. This alignment happens when job responsibilities and expectations are clear, resulting in increased individual and group productivity and better information is available to use for compensation and promotion decisions.

3.5.1.4.2. Development, approval and implementation of the Remuneration and Rewards Policy

The culture survey report for Financial Year 2012/2013 indicated low level of satisfaction in terms of remuneration and rewards which resulted in the development of the Remuneration and Rewards Strategy and Policy. The approval and implementation of the above policy enabled HR to determine the salary levels and benefits for positions with the view to attraction, engagement, motivation and retention of employees.

3.5.1.4.3. Skills audit exercise

A skills audit process was undertaken to identify the skill gaps in the Agency, and to establish a training needs analysis. This process was undertaken to:

- determine whether the organisation can meet its goals (without this information the organisation cannot know where to improve).
- ensure that training and development are better targeted.
- define recruitment needs which are likely to result in the attraction and retention of suitable candidates.

3.5.1.4.4. Organisational realignment

The Agency embarked on organisational realignment exercise in the Financial Year 2014/2015 with the aim to enhance the drive towards strategic repositioning of the C-BRTA as a key player in the transport sector and a game changer within the SADC region. Furthermore, the C-BRTA's organisational redesign is intended to promote functional synergy, integration, control, monitoring and evaluation efficiency and effectiveness, systematic interventions that ensure achievement of strategic objectives.

3.5.1.4.5. Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce

A Human Resources plan for Financial Year 2014/2015 was developed and approved to ensure that the C-BRTA has the human resources capacity and capability needed to achieve its strategic goals as outlined in the Agency's strategy document. The document describes the current and future talent needs of the Agency and seeks to provide guidelines in ensuring that the Agency has an integrated approach towards talent resourcing and related practices.

Furthermore the plan involves the gathering of information, analysing of current workforce dynamics, forecasting future workforce demand, identifying existing gaps and providing appropriate solutions.

3.5.1.4.6. Employee wellness programmes

The Agency believes in the health and wellbeing of its employees and recognises that a variety of personal problems can disrupt employees personal and work lives. Hence the Human Resources policy has made provision for Employee Assistance Programme.

The Careways Group is the appointed service provider that offers 24 hour service, 365 days a year that is supported by qualified and experienced counsellors both telephonically and by face-to-face counselling. Other employee wellness drives carried out by the Agency in 2014/15 include participation in the Walk the Talk Campaign which emphasises physical activity and exercise, as well as the Women's Day initiatives which included a workshop by CANSA on the prevention and early detection of female cancers.

3.2.24.4.7. Policy development

The establishment of Human Resources policies enables the organisation to demonstrate, both internally and externally, that it meets requirements for diversity, ethics and training as well as its commitments in relation to regulation and corporate governance of its employees. Furthermore, HR policies are also effective in supporting and building the desired organisational culture.

The Human Resources policies were reviewed in the Financial Year 2014/2015, however the review process is still underway pending the consultation processes with key stakeholders such as the Police and Prison's Civil Rights Union (POPCRU) and the Senior Managers Consultative Forum.

Table 1: Corporate Services Performance against Pre-determined Objectives

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	BASELINE	TARGET	PERFORMANCE RESULT	VARIANCE EXPLAINED
Develop and implement a high performance culture in the organisation.	Improved organisational culture.	None	Conduct survey and obtain 64%	Target not achieved.	Target not achieved. Execution of the culture survey was deferred to the next financial year due to the enormous HR interventions including but not limited to organisational realignmen.
	Enhance performance standards aligned to organisational strategic objectives and values.	None	Developed and approved performance standards. Change management and implementation of performance standards.	Developed and approved enhanced performance standards. Change management implementation conducted.	Target achieved.

3.5.1.5. Strategy to overcome areas of under performance

The Culture Survey has been built into the 2015/2016 Annual Performance Plan. Business performance is assigned to monitor operational plans in the new financial year to ensure the realisation of the Culture Survey in the new financial. The budget has been provided for in the next financial year.

3.5.1.6. Changes to planned targets

A decision was taken by the Board to defer the execution of the Culture Survey due to enormous HR interventions in the C-BRTA including, but not limited to, organisational realignment.

3.5.1.7. Linking performance to budget

Table 2: Expenditure: Administration

	2014/2015			2013/2014		
PROGRAMME/ACTIVITY/ OBJECTIVE	BUDGET	ACTUAL AMOUNT	(OVER)/ UNDER SPEND	BUDGET	ACTUAL AMOUNT	(OVER)/ UNDER SPEND
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	64,759	77,757	(12,998)	62,598	75,452	(12,854)

The the execution of the Culture Survey was deferred leading to a saving of R700 000 on the professional fees. Capacity within the HR unit was increased contributing to over-spending within the Programme. The Agency also acquired additional office space at Head Office as well as regional offices to improve the working conditions of the employees. The Agency also embarked on a project for regional connectivity to improve communication between regions and the Head Office.

3.5.2. PROGRAMME 5.2: FINANCE, SUPPLY CHAIN MANAGEMENT AND INFORMATION TECHNOLOGY

3.5.2.1. Divisional Executive Summary

The activities of the section are primarily linked to strategic objective on improving institutional performance and governance.

The financial sustainability strategy was drafted and presented to the Audit and Risk Committee during the fourth quarter of the financial year. The strategy identifies alternative revenue streams including, amongst others, the collection of access fees at the New Limpopo Bridge and the implementation of cross-border charges as part of reciprocity. The strategy was referred back for additional work and the updated strategy will be presented to the meetings of April 2015 for approval. The business proposal on the New Limpopo Bridge was also presented in the fourth quarter of the financial year and the updated strategy will be considered in the meetings of April 2015.

The audit recommendations from both the external and internal auditors are being implemented to ensure non-recurrence of similar audit findings. The receivables balance, primarily relating to penalty review has improved, and collections year-to-date also improved.

The development of the permit system was not achieved and the mitigation measures are being put in place to ensure that the new system is implemented within the next financial year. The business requirements and bid specifications for the new permit system have been developed and will be reviewed by an independent transactional advisor, who will provide expert advice to ensure that a suitable solution is procured to improve efficiencies in the permit issuance processes. The evaluation of the proposal for the appointment of the transactional advisor took place in the first week of April 2015.

The Information Technology Governance framework has been developed and will be implemented in the new financial year once approved by the relevant structures. The development of the Project Management framework is underway and will be finalised in the first quarter of the new financial year.

3.5.2.2. Introduction

The purpose of the Division is to ensure the provision of finance, supply chain and information technology services to the Agency and its line functions while ensuring compliance with statutory requirements and best practice models. The finance services include amongst others, financial reporting and analysis, statutory and third party payments, financial sustainability through credit management, cash control as well as alternative diversification of revenue streams; budgeting, budgetary control and cost control.

3.5.2.3. Strategic Objectives

- To ensure the financial viability and sustainability of the C-BRTA
- To improve the internal control environment

3.5.2.4. Operational Performance

3.5.2.4.1. Finance

An integrated business proposal for the collection of toll fees to the New Limpopo Bridge was developed and presented to the Audit and Risk Committee and the Board in April 2015. The approval and the implementation of this business proposal will enable the Agency to diversify its revenue streams.

Furthermore, the financial sustainability strategy was drafted during the financial year indicating the various potential revenue streams which can be activated to enhance the Agency's revenue. The strategy was presented to the Audit and Risk Committee and the Board in its meeting of April 2015.

To improve the debt collection regime, regional offices have been beefed-up with Cashiers thus cutting out the lengthy processes of relying on police and courts to collect fines on behalf of the Agency. To date, three (3) offices, namely; Mokopane, Musina and Mpumalanga are being serviced by full-time banking officers and the appointment of banking officers for North West and Gauteng is underway.

The Finance Unit has improved payment period of SMMEs to an average of 20 days to improve their cash flow position and sustainability.

Management Accounts and comprehensive variance reports have been issued monthly throughout the financial year.

3.5.2.4.2. Supply Chain Management

As part of the improvement plan and to ensure improved turn-around times in the procurement of goods and services, the Supply Chain Management section has allocated dedicated officials to each line function and there are on-going meetings with line functions to ensure proactive provision of services. Various training courses have been attended by officials within the Unit to improve service delivery.

The implementation of the compliance checklist within the Supply Chain Management environment has enabled the eradication of the irregular expenditure. To date there are no transactions initiated in the current financial year which have been identified as irregular. There are on-going improvements in contract management.

The bid for the development of a cross-border curriculum was advertised and has been awarded.

3.5.2.4.3. Information Communication Technology

The project on the connectivity of the regional offices has been completed and all the regions are now connected via the Virtual Private Network. The installation of server room cabinets and reticulation at regional office level has been completed and the security and stability of the IT services has been improved.

The Network Readiness (V-LANs configuration) project was completed and the implementation of the new telephone management system is being rolled out, which will see all the offices at the head office and regional offices connected through an improved telephone system.

In order to ensure stability of the law enforcement system, the support and maintenance services for the ENFORCER system were concluded and the new contract for support and maintenance services was confirmed.

The business requirements and bid specifications for the new permit system have been developed and will be reviewed by an independent transactional advisor, who will provide expert advice to ensure that a suitable solution is procured to improve efficiencies in the permit issuance processes.

The Information Technology Governance framework has been developed and will be implemented in the new financial year once approved by the relevant structures.

The IT Unit continues to provide support to all business application including the permit issuing system (CBRTS) and no system glitches and system downtime were experienced during the peak periods. The development of the OCAS ICT solution started during the year and to date the terms of reference for the OCAS ICT solution were drafted.

The terms of reference for smart law enforcement were drafted subsequent to the market analysis on the various solutions available. The Information Technology policy, which covers IT disaster recovery, change management processes, back-up procedures, IT security, user account management and classification of information was approved during the year and is being implemented.

Table 3: Finance, SCM and IT Performance against Pre-determined Objectives

STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR	BASELINE	TARGET	PERFORMANCE RESULT	VARIANCE EXPLAINED
To ensure the financial viability and sustainability of the C-BRTA.	Developed and implemented financial sustainability strategy/ model.	None	Approved strategy Additional revenue stream implemented.	Draft Strategy	Target not achieved Developing the strategy and implementing one additional revenue stream in the same financial year became impossible owing to the need to expand the focus of the financial sustainability strategy. Some of the recommended streams required legislative enablement and MoU's in order to activate. The Financial Sustainability Strategy was drafted, presented and approved after the financial year end.
To improve the internal control environment.	Maintain an unqualified audit opinion.	None	Unqualified audit opinion	Unqualified audit opinion	Target Achieved

3.5.2.5. Strategy to overcome areas of under performance

The Financial Sustainability Strategy and the proposal for the New Limpopo Bridge projects were approved after the financial year end. Plans are underway to implement the collection in the NLB as a new revenue stream before September 2015. Stakeholder consultation in regard to the collection at the Limpopo Bridge has commenced. It is envisaged that this intervention will increase the revenue baseline of the C-BRTA with at least 20%.

3.5.2.6. Changes to planned targets

There were no changes made to planned targets under this programme.

3.5.2.7. Linking performance to budgets

Table 4: Expenditure: Administration

	2014/2015			2013/2014		
PROGRAMME/ACTIVITY/ OBJECTIVE	BUDGET	ACTUAL AMOUNT	(OVER)/ UNDER SPEND	BUDGET	ACTUAL AMOUNT	(OVER)/ UNDER SPEND
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	64,759	77,757	(12,998)	62,598	75,452	(12,854)

The target relating to the culture survey was deferred leading to a saving of R700 000 on the professional fees. Capacity within the HR Unit was increased contributing to over-spending within the programme. The Agency also acquired additional office space at Head Office as well as regional offices to improve the working conditions of the employees. The Agency also embarked on a project for regional connectivity to improve communication between regions and the Head Office.

Table 5: Revenue collection

	2014/2015			2013/2014		
PROGRAMME/ACTIVITY/ OBJECTIVE	BUDGET	ACTUAL AMOUNT	(OVER)/ UNDER SPEND	BUDGET	ACTUAL AMOUNT	(OVER)/ UNDER SPEND
	R'000	R'000	R'000	R'000	R'000	R'000
Permit Revenue	184,792	166,798	17,994	160,903	42,340	118,563
Penalty	23,848	34,571	(10,723)	20,866	35,053	(14,187)
Total	208,640	201,369	7,271	181,769	77,393	104,376

The Agency operated on lower tariffs of 2003 for the first six (6) months of the financial year. These tariffs were responsible for lower revenue against the budget in the first quarter hence the R18 million under-collection for the year. The new Tariff Regulation, with a more sustainable tariff regime was gazetted and became effective on the 8 May 2014. Penalty income was 45% above the budget due to noted high impact presence of RTI on major corridors. The ten percent (10%) under collection of permit revenue had a direct impact on service delivery however, the Agency took a decision to curtail discretionary expenditure.

The permit income for the financial year 2013/2014 was restated from R96.4 million to R42.3 million due to the Constitutional Court Judgement of 12 May 2015, which rendered the 2011 Permit Tariff Regulations invalid.

Under-collection of R100 million in the previous year was as a result of the Agency reverting to 2003 Permit Tariff Regulations in August 2013. These had a negative impact on the Agency's operations leading to the achievement of only 65% of its indicators.

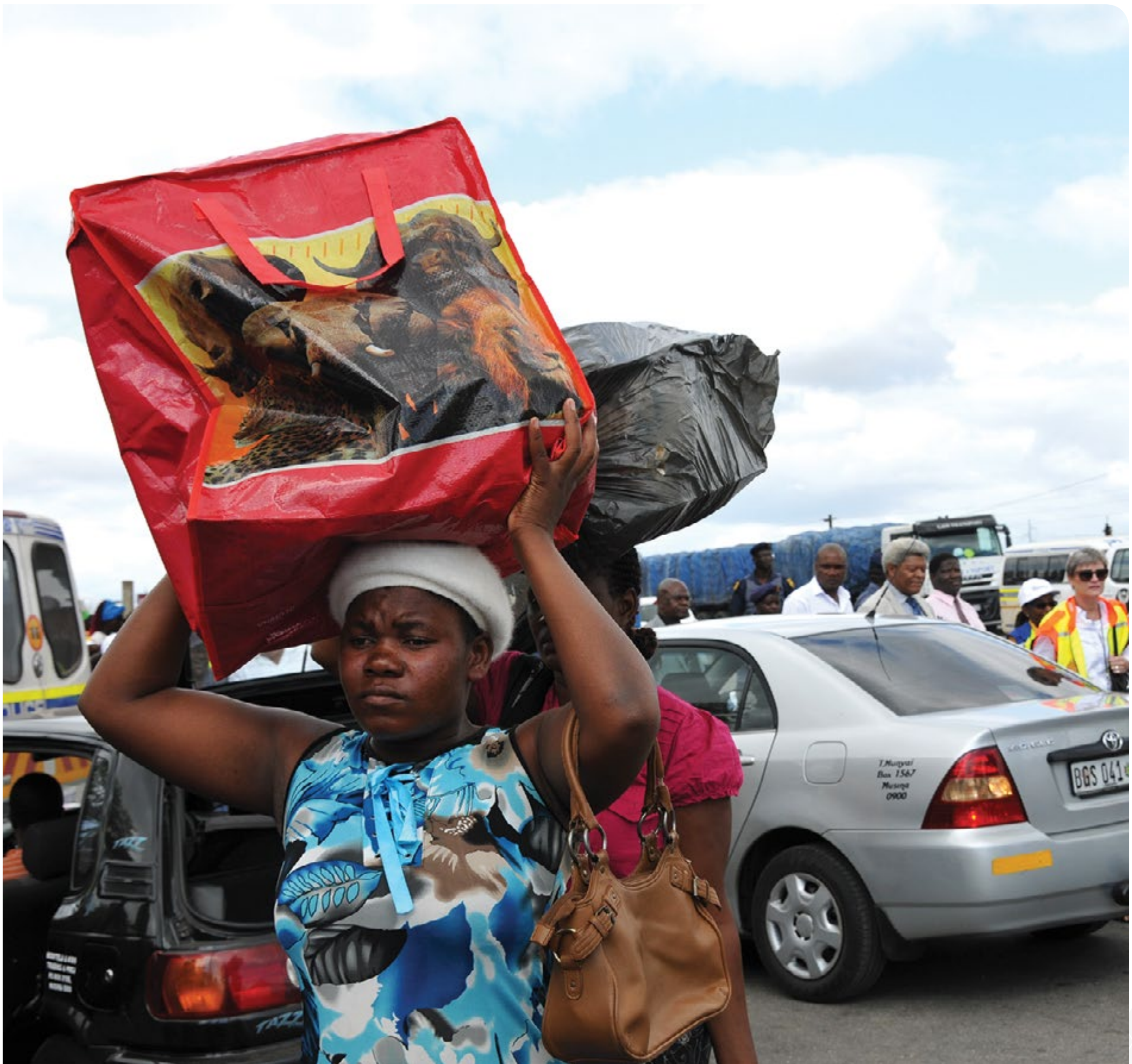
4. Capital Investment

Table 6

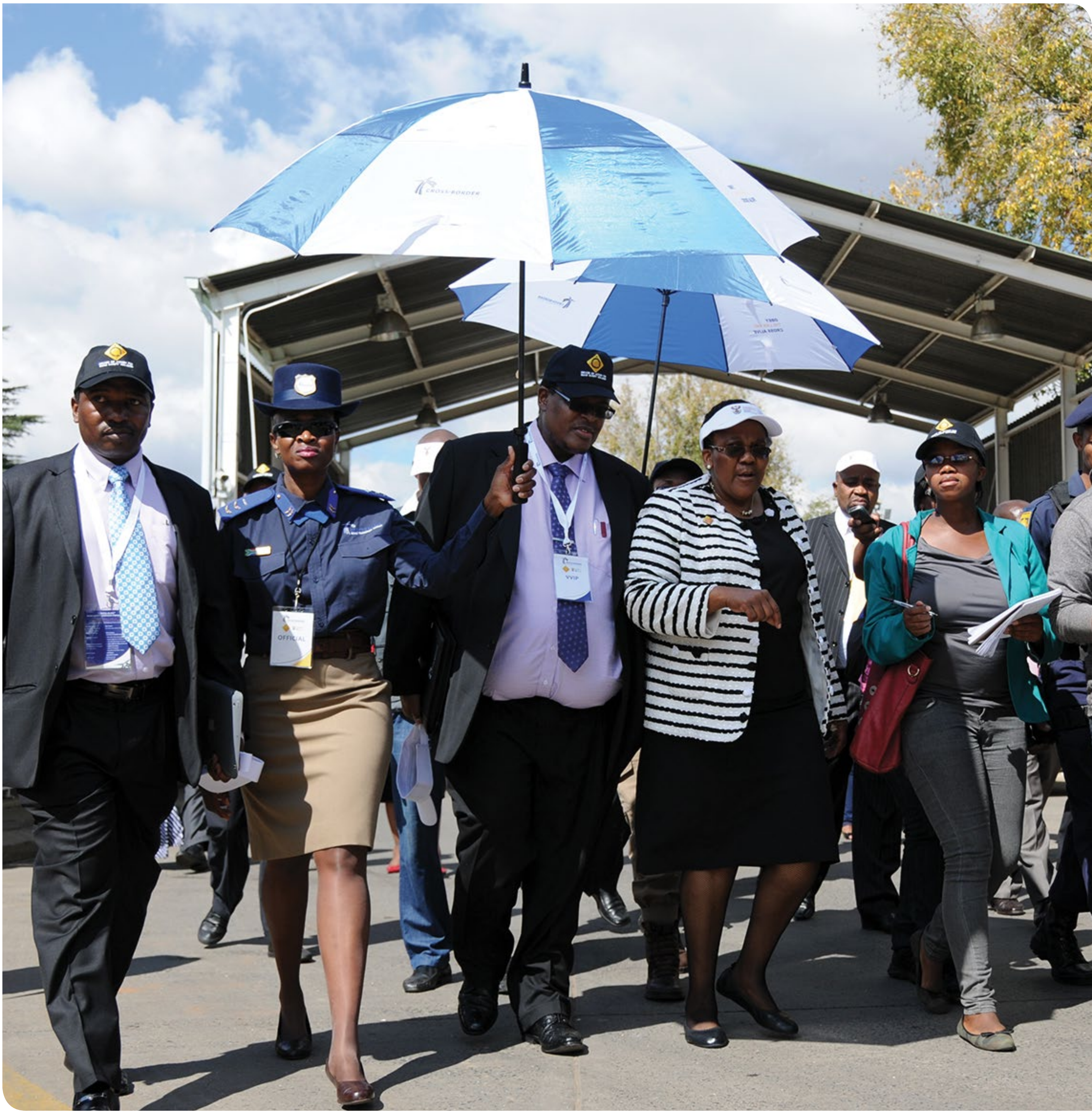
CAPITAL ASSETS	2014/2015 BUDGET R'000	2014/2015 ACTUAL AMOUNT R'000	2014/2015 (OVER)/ UNDER SPEND R'000	2013/2014 BUDGET R'000	2013/2014 ACTUAL AMOUNT R'000	2013/2014 (OVER)/ UNDER SPEND R'000
Leasehold improvement	3,300	505	2,795	1,800	412	1,380
Computer Equipment	1,586	2,160	(574)	1,530	2,140	(610)
Furniture & Fittings	2,037	931	1,106	2,091	1,181	910
Office Equipment	3,155	2,507	648	14	96	(82)
Motor Vehicles	400	-	400	400	-	400
Computer Software	9,522	342	9,180	14, 165	1,178	12, 987
Total	20,000	6,445	13,555	20,000	5,007	14,993

The Agency maintains an asset register containing all its assets and conducts asset verification at least twice a year. The Agency has underspent on its capital assets budget by R13,5 million during the current financial year, relating mainly to the delay in the development of the new permit system. The system is planned for development and piloting in the next financial year.

The delay on the planned acquisition of new office accommodation in January 2015 resulted in the capital budget for leasehold improvement, furniture and fittings being underspent.



PART C
Governance



1. Introduction

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

The C-BRT Act makes provision for the appointment of the Board of Directors to govern and control the Agency. At the beginning of the financial year under review, the Minister of Transport appointed six (6) new members of the Board and retired two (2) members whose term as Board members had expired by the end of the previous financial year. Although the Board was fully constituted from April 2015, as at the end of the financial year, there were two vacancies. The Minister is in the process of filling the vacancies in the legislative prescripts.

2. Portfolio Committees

Table 1

DATE	PARLIAMENTARY STRUCTURE	FOCUS	KEY ISSUES RAISED
26 August 2014	Portfolio Committee on Transport (PCOT)	Strategic Plan and Annual Performance Plan 2014/15 briefings.	Briefing by the Cross-Border Road Transport Agency (C-BRTA) on its Strategic and Annual Performance Plans 2014/15. This was the first engagement with the Portfolio Committee on Transport after the 2014 General elections to understand the mandate of the C-BRTA to enable the Committee to exercise its oversight role.
15 October 2014	Portfolio Committee on Transport (PCOT)	Briefing by the Public Entities of the Department of Transport on Annual Report and Financial Statements for 2013/14, including the Reports of the Auditor–General on the Financial Statements and Performance Information for 2013/14.	Briefing by the Cross-Border Road Transport Agency C-BRTA on Annual Report and Financial Statements for 2013/14, including the Reports of the Auditor–General on the Financial Statements and Performance Information for 2013/14. The leadership of the C-BRTA was commended for obtaining an unqualified audit opinion and encouraged to develop alternative revenue streams to sustain the operations of the Agency.
25 November 2014	Portfolio Committee on Transport (PCOT)	Portfolio Committee on Transport Oversight visit to the Free State province (Ficksburg).	To make an assessment of the RSA (Free State)/ Lesotho Passenger Transport impasse. The Committee interacted with all stakeholders present, including cross-border operators on this route. The Committee indicated that it was going to develop recommendations on its assessment of the inputs provided during the oversight visit.

3. Executive Authority

The Minister of Transport is the Shareholder and the Executive Authority of the C-BRTA. In terms of the PFMA, the Board of Directors of C-BRTA is the Accounting Authority and has the powers to determine the strategic direction of the Agency within the parameters of the Agency's constitutive legislation, as well as other enabling legislation such as the National Land Transport Act. The Board accounts to the Executive Authority on the performance of the Agency quarterly through the submission of Quarterly Performance Reports. The Board further submits the quarterly financial reports which indicate to the Executive Authority the Agency's financial performance. Attached to these reports, is the Audit Committee Reports and the report indicating how the organisation is complying with legislative prescripts applicable to it.

The relationship between the Minister as the Executive Authority and the Board as the Accounting Authority is governed by a performance agreement that the two parties conclude annually. In terms of that performance agreement, the Board is required to submit to the Executive Authority a 5-year Strategic Plan and Annual Performance Plan for the Agency. The performance agreement makes provision for the submission of the aforesaid documents for the Executive Authority's approval by end of January of each year. The first draft documents were submitted the Executive Authority by end August 2014 for comment and input. The second draft documents, which incorporated comments from the Shareholder Department, were submitted to the Executive Authority by end November 2014. In addition to these formal and legislated reporting requirements, the Executive Authority engages the Board through meetings at the request of either party. The Executive Authority holds General Meetings with the Board annually after the final submission of audited annual financial statements and annual report.

4. The Board

4.1. Introduction

The Board of Directors in its capacity as the Accounting Authority is committed to business integrity, transparency, fairness and professionalism in all its activities. As part of this commitment the Board supports the highest standards of corporate governance and the on-going development of best practices.

As the custodian of corporate governance, the Board is responsible for the development of the governance system that supports the business and ensures optimal responsibility and accountability by various business levels of structures in the fulfilment of the legislative mandate of the Agency.

All members of the Board are members of Institutes of Directors of Southern Africa. The Agency has a unitary board structure with the majority of Board members being Non-Executive Directors. The responsibility of the Chairperson and the Chief Executive Officer are clearly defined. No one person has unfettered powers of decision-making.

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

There is a formal delegation of authority, which sets out the categories of decisions, which require approval by the Board, Board Committee, Chief Executive Officer and levels within the Agency's officials. Monitoring compliance with this delegation is the responsibility of the Board.

The Board meets at least four (4) times a year. Additional meetings may be held whenever deemed necessary. The Chairperson, in consultation with the Chief Executive Officer and Company Secretary, is responsible for setting the agenda of each meeting. Board meetings are scheduled well in advance and Management ensures that Board members are timeously provided with all the relevant information and facts to enable the Board to reach its objectives and make well-informed decisions.

4.2. Role of the Board

The Board is responsible to set the strategic direction and policy for the Agency. In discharging these responsibilities the Board has established three Committees namely, Human Resources and Remuneration Committee, Audit and Risk Committee and Procurement Committee, to assist the Board in fulfilling its roles and responsibilities. The Board further has a prescribed Committee referred to as Regulatory Committee. The Regulatory Committee is established in terms of C-BRT Act. The roles and responsibilities of each Committee are set out in the terms of reference that are formally adopted by the Board. These terms of refere nce are reviewed annually to ensure that they remain relevant. The Audit and Risk Committee has its primary roles and responsibilities prescribed by PFMA.

Although the Board has established Committees to assist with discharge of its roles and responsibilities, there are certain roles and responsibilities that are reserved for the Board and that may not be delegated and these include, inter alia, powers to set and approve the organisational Strategy and Annual Performance Plan, approval of the budget, approval of performance reports and approval of financial statements.

In addition, the Board monitors and evaluates the overall performance of the Agency on a quarterly basis and reports to the Executive Authority on the progress made against the Annual Performance Plan (APP).

4.3. Board Charter

The Board is guided by a Charter, which sets out its responsibilities, the delegation of authority to its Committees and the frequency of its meetings. The Charter further makes provision for the annual evaluation of the performance of the Board and its Committees to assess effectiveness and efficiency. The Board Charter is reviewed annually for relevance.

The Board facilitated the development of the C-BRTA Strategic Plan 2015/2020 and the 2015/2016 Annual Performance Plan. These plans were adopted by the Board long before the due date and presented to the Minister of Transport for approval within the period under review.

The Board established sub-committees to monitor areas closely of the Agency performance towards attainment of its pre-determined goals. The Board further monitors operational performance of the Agency through quarterly performance reports. By the end of the financial year, the Board was in the process of facilitating the development of a Performance Information Policy with the view of improving organisational performance, monitoring and reporting.

The Board through the ARC, REMCO and RC monitors and directs the policy development of the C-BRTA. All efforts are in place to ensure that the Board is compliant with the Charter and its performance is monitored against the Charter.

4.4. Composition of the Board

The Board consists of ten (10) members, nine (9) of which are non-executive members and one (1) who is the Chief Executive Officer responsible for the day-to-day running of the Agency. The Board is appointed by the Minister of Transport who is the Executive Authority of the Agency. At the beginning of the financial year the Minister appointed six (6) new Board members. The Board adopted an annual schedule of meetings for the Board and all its Committees in the beginning of the financial year.

4.5. Board Meetings

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

Table 2

BOARD MEETINGS ATTENDANCE							
	DATE						TOTAL ATTENDANCE
MEMBER	29/04/2014	27/05/2014	25/07/2014	28/08/2014	29/10/2014	28/01/2015	
Ms P Pokane*	✓	×	×	×	×	✓	2 out of 6
Ms M Nkomo	✓	✓	✓	✓	✓	×	5 out of 6
Mr N Mhlongo Resigned 30 June 2015)	×	✓	✓	×	✓	×	3 out of 6
Prof. D Thwala	✓	o	o	o	o	o	1 out of 6
Mr T Bailey	✓	×	×	✓	✓	✓	4 out of 6
Adv S Letele	×	×	×	✓	✓	✓	3 out of 6
Mr S Mngqibisa	×	✓	✓	✓	✓	×	4 out of 6
Mr G Noah (Resigned 31 July 2015)	✓	✓	✓	✓	✓	✓	6 out of 6
Mr W Smith	✓	✓	✓	✓	✓	✓	6 out of 6
Mr M Scott	✓	✓	✓	✓	✓	✓	6 out of 6
Mr RA Dlamini (Resigned 1 February 2015)	×	✓	✓	✓	×	×	3 out of 6
Ms S Mohammed (Resigned 1 March 2015)	/	/	✓	✓	✓	✓	4 out of 6
Mr S Khumalo	✓	✓	✓	✓	✓	✓	6 out of 6

*Ms Pokane was on sick leave

✓ Present × Absent with apology o No longer a Board Member

/ Not yet appointed as a Board member

4.6. Audit and Risk Committee

The Audit and Risk Committee comprises three (3) non-executive Board members, and one (1) Specialist Committee Member appointed by the Board. The Chief Executive Officer, Chief Financial Officer and the Chief Information Officer have a standing invitation to attend all Committee meetings.

The main purpose of the Committee is to assist the Board in monitoring the integrity of the financial statements and overseeing the performance reports. It is responsible for the effectiveness of the internal financial and Agency controls, oversees external and internal audit functions, governance and risk management. In addition, the Committee also has oversight responsibility on IT Governance. The Committee is further responsible to provide the Accounting Authority with independent counsel, advice and provide direction in respect of risk management in the Agency.

The Committee operates in terms of its terms of reference, which incorporate roles and responsibilities prescribed by the PFMA. The Committee meets five (5) times a year and as the need arises, a special meeting may be convened. Internal Audit function is outsourced to a service provider and the internal audit team reports functionally to the Audit and Risk Committee. The Internal Audit team operates in terms of the Internal Audit Plan, which is approved by the Committee. The Internal Audit team attends all the meetings of the Committee.

Table 3

AUDIT AND RISK COMMITTEE ATTENDANCE								
	DATE							
MEMBER	24/04/2014	15/05/2014	17/05/2014 (SPECIAL MEETING)	17/07/2014	16/10/2014	16/01/2015	26/01/2015 (SPECIAL MEETING)	TOTAL ATTENDANCE
Mr N Mhlongo	✓	✓	✓	✓	✓	✓	✓	7 out of 7
Ms P Mzizi	✓	✓	✓	✓	✓	✓	✓	7 out of 7
Mr M Scott	/	✓	✓	×	✓	✓	✓	5 out of 7
Prof. D Thwala	✓	o	o	o	o	o	o	1 out of 7
Mr G Noah	/	✓	✓	✓	✓	✓	✓	5 out of 7
Adv S Letele	×	×	×	–	o	o	o	0 out of 7
Ms S Mohammed	/	/	/	/	/	✓	✓	2 out of 7

✓ Present × Absent with apology o No longer a Committee Member

/ Not yet appointed as a Committee member – Absent

4.7. Human Resources and Remuneration Committee

The Committee comprises five (5) Board members including the Chief Executive Officer and operates in terms of Board approved terms of reference.

The main purpose of the Committee is to ensure the adoption of Human Resource Strategies and policies that seek and drive high performance, attract and retain skills, remunerate and reward good performance. The Committee meets four times a year and as and when a need arises for a special meeting to be convened.

Table 4

HUMAN RESOURCES AND REMUNERATION COMMITTEE ATTENDANCE						
	DATE					
MEMBER	20/05/2014	16/07/2014	14/10/2014	21/01/2015	03/03/2015	TOTAL ATTENDANCE
Mr G Noah	✓	✓	✓	✓	✓	5 out of 5
Ms M Nkomo	✓	✓	✓	×	✓	4 out of 5
Mr T Bailey	×	×	✓	×	✓	2 out of 5
Mr W Smith	✓	✓	✓	✓	✓	5 out of 5
Mr S Khumalo	✓	✓	✓	✓	✓	5 out of 5

✓ Present × Absent with apology

4.8. Procurement Committee

The Procurement Committee comprises three (3) Board members including the Chief Executive Officer. The Chief Financial Officer and the Senior Manager responsible for Supply Chain Management have a standing invitation to Committee meetings. The Committee does not have planned meetings and only meets as and when there is a procurement that falls within its mandate.

Table 5

PROCUREMENT COMMITTEE ATTENDANCE		
	DATE	
MEMBER	11/11/2014 (TELECONFERENCE)	TOTAL ATTENDANCE
Mr RA Dlamini	✓	1 out of 1
Mr N Mhlongo	×	0 out of 1
Mr T Bailey	✓	1 out of 1

✓ Present × Absent with apology

4.9. Regulatory Committee

This is a statutory Committee established in terms of the C-BRT Act. The Chairperson of the Board chairs the Committee, and its members are prescribed. Additional members to the Committee do not have a right to vote. The Committee meets once a month for operator permit application hearings and four times for Committee meetings.

Table 6

REGULATORY COMMITTEE ATTENDANCE			
MEMBER	DATE		TOTAL ATTENDANCE
	19/09/2015	20/01 2015	
Ms P Pokane*	×	✓	1 out of 2
Ms M Nkomo	✓	×	1 out of 2
Mr W Smith	✓	✓	2 out of 2
Mr M Scott	✓	✓	2 out of 2
Ms S Mohammed	✓	×	1 out of 2
Mr T Bailey	✓	×	1 out of 2
Mr S Mngqibisa	×	✓	1 out of 2
Mr S Khumalo	✓	✓	2 out of 2
*Ms Pokane was on sick leave	✓ Present	× Absent with apology	

Table 7

REGULATORY HEARINGS ATTENDANCE											
MEMBER	DATE										TOTAL ATTENDANCE
	22/05/ 2014	26/06/ 2014	22/07/ 2014	19/09/ 2014	25/09/ 2014	21/10/ 2014	20/11/ 2014	20/01/ 2015	19/02/ 2015	26/03/ 2015	
Ms P Pokane*	×	×	×	×	×	×	✓	✓	✓	✓	4 out of 10
Ms M Nkomo	✓	✓	✓	✓	✓	✓	✓	×	✓	×	8 out of 10
Mr T Bailey	✓	×	✓	✓	×	✓	✓	×	×	×	5 out of 10
Mr S Mngqibisa	✓	✓	✓		✓	×	✓	✓	×	×	6 out of 10
Mr W Smith	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10 out of 10
Mr M Scott	✓	✓	✓	✓	✓	✓	✓	×	✓	✓	9 out of 10
Mr RA Dlamini	✓		×	✓	✓	✓	✓	×	×	×	6 out of 10
Ms S Mohammed	✓	×	✓	✓	×	✓	✓	×	✓	×	6 out of 10
Mr S Khumalo	✓	✓	✓	✓	✓	×	✓	✓	✓	×	8 out of 10
*Ms Pokane was on sick leave	✓ Present	× Absent with apology									

4.10. Remuneration of Board Members

Table 8

NAME	REMUNERATION	OTHER RE-IMBURSEMENTS	TOTAL
Ms P Pokane	179, 823	8,196	188,019
Ms M Nkomo	147,226	6,688	153,914
Mr N Mhlongo	147,226	21,650	168,876
Mr G Noah	147,226	7,068	154,294
Ms S Mohammed	122,689	1,335	124,023
Adv S Letele	147,226	3,094	150,320
Mr R Dlamini	122,689	10,800	133,489
Mr W Smith	147,226	4,287	151,513
Mr M Scott	147,226	34,800	182,026
Mr T Bailey	147,226	12,387	159,614
Prof. D Thwala	11,607	4,297	15,904

5. Risk Management

To keep abreast with its dynamic operating environment the C-BRTA notes the need to possess an agile and responsive risk management system. Risk management within the C-BRTA is guided by the C-BRTA Risk Management Strategy and Enterprise Risk Management Framework. The Agency conducts on-going risk assessments and these inform reporting to the relevant governance structures, such as the Audit and Risk Committee. The Audit and Risk Committee provides oversight over risk management in the Agency and advises the Board on risk management matters and independently monitors the effectiveness of risk management system.

To date, the Agency has ensured that it has strengthened its risk responsibility through the approval of relevant and effective risk management policies, frameworks and procedures. These included the approval and implementation of an Enterprise Risk Management Framework, Risk Management Strategy and Risk Policy.

The Enterprise Risk Management (ERM) Framework has sought to ensure that the C-BRTA has a holistic view of its risk exposure. It also sought to ensure that risks are engaged in an informed manner. This limited the silo effect which has prospects of reducing the effectiveness of a risk management programme. Compliance to governing regulatory and best practice prescripts is promoted through the ERM endeavours. This framework also ensures robust and effective risk identification, assessment, monitoring and reporting. Thus, the Agency has made significant strides in its risk management function. A Combined Assurance Framework was also approved. This further promoted synergy between the different assurance providers.

The modality through which risks are managed within the C-BRTA entails three (3) lines of defence model. This renders business divisions as the first line of defence, which is responsible for the implementation, and daily management of risks. The second line of defence is the risk management function this is mandated to set policies, framework, and procedures to create an enabling environment for risk management and mitigation. The third line of defence is an internal and external audit. These are responsible for ensuring independent assurance on the effectiveness of the risk management process.

6. Internal Control

The existence of an efficient and effective system of internal controls is fundamental to the Agency. The Unit focuses on ensuring response to internal and external audit recommendations. This is done through a tracking register, which ensures the timely implementation of recommendations within the Agency. The Agency has seen an improvement in the management of risks and implementation of audit findings. In relation to the improved risk management, there has been notable improvement in the performance of the organisation as articulated in the level of attainment of pre-determined objectives.

Internal Control embarked an extensive audit of the Inspections process flow and reconciliations. This intervention was aimed at improving the administration and management of the inspections business process. The impact of this intervention culminated into accurate and systematic documenting of inspections conducted by Road Transport Inspectorate. A revised business process was introduced.

Contract management within the Supply Chain Management environment value chain was assessed and divisional management advised on the need to rectify areas of concern. Three key findings were raised for divisional management to attend to which are currently receiving attention.

Project Management and Business Performance Divisions were assisted with a business process mapping intervention and a revised research process was recommended for implementation as well as provision of recommended business processes. Similarly a new business process for performance planning, management and reporting was developed by internal control.

Of the Auditor General's recommendations provided in the previous financial years, 92% of the recommendations have been fully implemented and 8% being in the process of being implemented. The majority of the 8% reside in the information technology environment and are in the process of being implemented. Seventy percent (70%) of the Internal Audit findings have been fully implemented with 30% being in the process of being implemented.

The travel and subsistance claims process was analysed by internal control and enhanced controls were recommended for introduction and implementation which was subsiquently done and a new claims verification process developed with roles and responsibilities clarified and implemented at all management levels within RTI.

7. Internal Audit

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

The PriceWaterHouseCoopers, the C-BRTA's internally appointed auditors conducted nine (9) internal audit reviews focusing on internal financial controls, supply chain management, penalty income and audit on performance against pre determined objectives among others, where there were no significant findings made. However, where concerns were raised, the Agency management rectified under the guidance of the Audit Risk Committee (ARC).

Three areas where significant findings were made, included, performance information, human capital management and compliance effective function. In response, management developed a pPerformance Information Policy, review of Talent Management Policy environment and ongoing review of the compliance manual. Under the control of the ARC, management is in the process of reviewing and implement a large amount of recommendations made by the internal auditors.

Internal audit further provided assurance on performance information in the last semester of the financial year under review.

8. Compliance with Laws And Regulations

Legislative compliance is the responsibility of the Board. The Board has approved a Compliance Manual, which is implemented by Management. Management reports on a quarterly basis to the Board on compliance with legislation and Regulations via the Audit and Risk Committee. Legislative compliance reports are submitted to the Executive Authority on a quarterly basis.

9. Fraud and Corruption

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

10. Minimising Conflict of Interest

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

11. Code of Conduct

The Board has adopted a Code of Conduct, which is enforceable to the Board and the Agency's officials. The Code of Conduct sets outs the values that the organisation subscribe to and the expected behaviour consistent with such values.

12. Health, Safety and Environmental Issues

Corporate Services Division monitors health and safety matters and the Agency seeks to comply with all relevant legislation.

13. Company Secretary

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

- The Company Secretary plays a significant role in the following:
- Induction of new Board members;
- Tabling to the Board relevant information on regulatory and legislative changes;
- Guidance to Board members individually and collectively on their duties and responsibilities to the company;
- Providing guidance and advice to the Board on matters of ethics and good governance; and
- Board members have unlimited access to the advice and services of the Company Secretary.

14. Social Responsibility

The Cross-Border Road Transport Agency views itself as a responsible South African corporate citizen. Hence, the Agency has started making Corporate Social Responsibility (CSR) an important part of our business. In its efforts to drive stronger growth and enhance long-term stakeholder value, the Agency wants to remain firmly committed to making a positive difference in the lives of our operators as well as border town communities.

In the year under review the Agency undertook three Corporate Social Responsibility activities with a view of building strong relationships with various stakeholders. The first initiative was in July 2014, on the Mandela Day when C-BRTA employees donated their time to assist with cleaning up cross-border taxi ranking facilities in the Johannesburg city centre. This did not only present the Agency as a responsible organisation but as a caring brand.

The second and third initiatives were directed at schools in the Malelane and Komatipoort areas. These events took place during October Transport at Agency. The first school visited was Cromati Combined School which is located in the low economic town of Komatipoort. The C-BRTA Women's Association encouraged C-BRTA staff to make various donations, ranging from toiletries, clothes, and school shoes. These donations were delivered at the school by the C-BRTA Women's Association.

The other event was a Careers-in-Transport Breakfast seminar held for 60 girl-children from two high schools in the Malelane area. The learners hosted were Grade 10 and 11 from Beacon, and Suikerland, high schools. These activities did not only achieve the Agency's social responsibility goals but it also introduced the brand to border communities that were not aware that the Agency existed.

In the next Financial Year the C-BRTA plans to carry out more social responsibilities activities to position the C-BRTA brand as a caring brand. By regularly engaging with local stakeholders, the Agency also hopes to deepen its understanding of operator and community needs, so that it can respond in a meaningful way.

15. Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2015.

Audit and Risk Committee Members and Attendance

The Audit and Risk Committee consists of the members listed hereunder and should meet at least four (4) times per annum as per its approved terms of reference. During the year under review, seven (7) meetings were held. The attendance record of different members is as detailed below. Apologies were tendered for meetings not attended. Professor Thwala and Advocate Letele were retired as members of the Committee during the financial year, and Ms Mohammad was appointed during the year.

Table 9

AUDIT AND RISK COMMITTEE ATTENDANCE								
MEMBER	26/01/ 2015	16/01/ 2015	16/10/ 2014	17/07/ 2014	17/05/ 2014	14/05/ 2014	24/04/ 2014	TOTAL ATTENDANCE
Mr N Mhlongo (Chairperson) (Resigned 30 June 2015)	✓	✓	✓	✓	✓	✓	✓	7 out of 7
Ms P Mzizi	✓	✓	✓	✓	✓	✓	✓	7 out of 7
Mr AG Noah (Resigned 31 July 2015)	✓	×	✓	✓	✓	✓	o	5 out of 7
Mr MC Scott	✓	×	✓	✓	✓	✓	o	1 out of 7
Adv S Letele	/	/	/	×	×	×	×	5 out of 7
Prof DW Thwala (Retired 30 April 2014)	o	o	o	o	o	o	✓	0 out of 7
Ms SO Mohammad (Resigned 1 March 2015)	✓	✓	o	o	o	o	o	2 out of 7
Ms MMD Nkomo (Appointed 01 July 2015)	/	/	/	/	/	/	/	0 out of 7
Mr TA Bailey (Appointed 01 July 2015)	/	/	/	/	/	/	/	0 out of 7

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

Audit and Risk Committee Responsibility

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

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

The effectiveness of internal control

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

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

Evaluation of Annual Financial Statements

The Audit and Risk Committee has:

- reviewed and discussed the audited annual financial statements to be included in the Annual Report;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed the Agency's compliance with legal and regulatory provisions; and
- noted no significant adjustments resulting from the audit.

Risk Management

Progress has been made in the administration and review of risk registers, and approval of relevant policies. However, there is need to focus on requirements of the IT Governance Framework, Business Continuity Plans, Disaster Recovery Plans and other Risk mitigation related imperatives as well as requirements per the DPSA ICT Governance framework.

Internal Audit

The Audit and Risk Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Agency and its audits. The outsourced function was initially performed by Nkonki and thereafter taken over by PWC during the second half of the financial year. The following list constitutes some of the internal audit work that was completed during the year under review:

- Audit of performance against predetermined objectives;
- Penalty revenue;
- Payroll and Travel & Accommodation;
- Supply Chain Management;
- Financial Discipline Review and
- Operations in regional offices.

Auditor-General of South Africa

The Audit Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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

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

Ms M Nkomo

Chairperson of the Audit and Risk Committee

28 July 2015

PART D
Human Resource Management

1. Introduction

The Human Resources Unit embarked on numerous projects in the year under review. The projects included the entrenchment of a performance culture, embedding organisational values, culture change initiatives to address organisational issues and challenges identified through the organisational culture survey. Furthermore, Human Resources focused on the filling of critical positions to ensure that the Agency is sufficiently staffed. A benchmarking exercise was undertaken (to ensure that the Agency attracts and retains critical skills). This informed remuneration and reward project.

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

The Agency regards mutual relationship with organised labour as central to building a conducive working climate. Continuous training and development of labour representatives on remuneration and related aspects forms part of the Labour Consultative Forum (LCF) engagements. In terms of employment equity, females represent 51% of the workforce and males are at 49%. A total of 35% of the organisation is made of employees less than 35 years of age and people with disabilities constitutes 0.8%.

Other highlights for the year under review were:

- **Performance Management**

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

- **Wage negotiations**

The Agency concluded a multi-term agreement with organised labour for a period of three (3) years from the Financial Year 2012/13 to 2014/15. This multi-term agreement has enabled the Labour Consultative Forum ample time to focus on Strategic People Management issues. It has also saved time by reducing the number of meetings over the agreement term. The agreement has also enabled management to conduct informed remunerative financial projections over the MTEF.

- **Talent Management and Rewards Strategy**

The Talent Management Strategy and employee value proposition were approved during the year under review. The rewards strategy and policy were finalised.

Challenges

Entrenching performance management in the organisation is a change process and takes years to realise. Although the Agency's performance management system was audited and elevated to the next level, more effort is still required to align it with the best practice.

2. Human Resource Oversight Statistics

Table 1: Personnel cost by programme

PROGRAMME	TOTAL EXPENDITURE FOR THE ENTITY (R'000)	PERSONNEL EXPENDITURE (R'000)	PERSONNEL EXP. AS A % OF EXP. (R'000)	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Administration*	77,757	40,454	52%	43	941
Facilitation and Industry Development	10,713	7,426	69%	13	571
Road Transport Inspectorate	81,826	54,392	66%	153	356
Regulatory and Legal Services	23,608	17,943	76%	43	417
Strategic Support	10,811	10,202	94%	13	785
Total	**204,715**	**130,471****	**64%**	**265**	**492**

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

***The total expenditure excludes Board of Directors*

Table 2: Personnel cost by salary band

LEVEL	PERSONNEL EXPENDITURE (R'000)	% OF PERSONNEL EXP. TO TOTAL PERSONNEL COST	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Top Management	15,473	12%	7	2,210
Senior Management	14,806	11%	14	1,058
Professional qualified	28,591	22%	39	733
Skilled	70,608	54%	225	314
Semi-skilled	139	0%	3	46
Unskilled	800	1%	9	89
Total	**130,417**	**100%**	**297***	**439**

**The total number includes board of directors, fixed term contractors, temps and interns.*

Table 3: Performance rewards

LEVEL	PERFORMANCE REWARDS (R'000)	PERSONNEL EXPENDITURE (R'000)	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST (R'000)
Top Management	396	13,753	35%
Senior Management	1,085	14,806	14%
Professional qualified	591	28,591	48%
Skilled	3,289	70,608	21%
Semi-skilled	6	139	23%
Unskilled	33	800	24%
Total	**5,400**	**130,417**	**24%**

Table 4: Training costs

PROGRAMME	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST	NO. OF EMPLOYEES TRAINED	AVERAGE TRAINING COST PER EMPLOYEE (R'000)
Administration	40,454	240	0.6%	20	12
Facilitation and Industry Development*	7,426	0*	0%	0	*0*
Road Transport Inspectorate	54,392	16	0.02%	125	0
Regulatory and Legal Services	17,943	40	0.2%	5	8
Strategic Support	10,202	138	1.4%	10	14
Total	**130,417**	**434**	**0.4%**	**160**	**3**

**The amount of R197 000 was used for training of external stakeholders in FID*

Table 5: Employment and vacancies

PROGRAMME	2013/14 NO. OF EMPLOYEES	2014/15 APPROVED POSTS	2014/15 NO. OF EMPLOYEES	2014/15 VACANCIES	% OF VACANCIES
Administration	50	65	54	11	16%
Facilitation and Industry Development	12	24	13	11	45%
Road Transport Inspectorate	133	180	153	27	15%
Regulatory and Legal Services	43	43	43	0	0
Strategic Support	15	30	13	17	53%
Total	**253**	**342**	**276**	**66**	**19%**

LEVEL	2013/14 NO. OF EMPLOYEES	2014/15 APPROVED POSTS	2014/15 NO. OF EMPLOYEES	2014/15 VACANCIES	% OF VACANCIES
Top Management	8	9	7	2	22%
Senior Management	15	16	13	2	13%
Professional qualified	34	49	36	14	29%
Skilled	192	264	216	48	18%
Semi-skilled	1	1	1	0	-
Unskilled	3	3	3	0	-
Total	**253**	**342**	**276**	**66**	**19%**

Table 6: Employment changes

LEVEL	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top Management	8	2	3	7
Senior Management	15	0	0	14*
Professional Qualified	34	2**	0	36
Skilled	192	28	5	215
Semi-skilled	1	0	0	1
Unskilled	3	0	0	3
Total	**253**	**32**	**8**	**276**

****1 Demotion***
*** 1 Demoted employee added to appointments at Professional Qualified Level***

The Agency has a low attrition rate of below 3%. The high rate of terminations depicted in the table below is as a results of lapsing contracts.

Table 7: Reasons for staff leaving

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	0	0
Terminations	12	4%
Dismissal	0	0
Retirement	0	0
Ill-health	0	0
Expiry of contract	41	15%
Total	**53**	**19%**

The 3% voluntary attrition rate was due to perceived lack of career progression, development opportunities and limited salary growth.

Table 8: Labour relations: misconduct and disciplinary action

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	1
Written Warning	2
Final Written Warning	0
Dismissal	0
Demotion	1

Table 9: Equity Target and Employment Equity Status

LEVELS	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	3	3	1	1	0	0	0	0
Senior Management	5	5	0	0	0	0	1	1
Professional qualified	16	16	1	1	3	3	1	1
Skilled	83	85	4	7	3	5	13	13
Semi-skilled	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	**107**	**109**	**6**	**9**	**6**	**8**	**15**	**15**

LEVELS	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	3	3	0	0	0	0	0	0
Senior Management	5	5	0	0	2	2	0	0
Professional qualified	11	12	2	2	1	1	1	1
Skilled	101	104	4	8	1	3	7	8
Semi-skilled	1	1	0	0	0	0	0	0
Unskilled	3	3	0	0	0	0	0	0
Total	**124**	**127**	**6**	**10**	**4**	**5**	**8**	**9**

LEVELS	STAFF LIVING WITH DISABILITIES			
	MALE		FEMALE	
	CURRENT	TARGET	CURRENT	TARGET
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	1	0	0
Skilled	1	1	1	1
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Total	**1**	**2**	**1**	**1**

PART E
Financial Information

Index

The reports and statements set out below comprise the annual financial statements presented to the Parliament:

Accounting Authority's Responsibilities and Approval

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

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

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

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

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

The Accounting Authority has reviewed the Agency's cash flow forecast for the year to 31 March 2016 and, in the light of the Agency losing the case that was before the Constitutional Court and being compelled to refund the Operators some of the permit revenue collected between April 2011 and November 2013. The Agency is a public entity created by an Act of Parliament (CBRT Act 4 of 1998 as amended) with a sole mandate of providing cooperative and coordinated advice, regulation, facilitation and law enforcement in respect of cross border road transport by the private and public sectors. Furthermore, the Department of Transport has been engaged with a view to support the Agency should it not be able to discharge its commitments (financially) in the new financial year and beyond. After a review of the current financial position, the Accounting Authority is satisfied that the Agency has access to adequate resources to continue in operational existence for the foreseeable future despite the constrained financial position prevailing currently as a result of the judgement.

The annual financial statements are prepared on the basis that the Agency is a going concern.

The auditors are responsible for independently reviewing and reporting on the Agency's annual financial statements. The annual financial statements have been examined by the Auditor General of South Africa and their report is presented on page 84.

The annual financial statements set out on pages 87 to 131, which have been prepared on the going concern basis, were approved by the board on 28 July 2015 and were signed on its behalf by:

Ms P Pokane	**Mr S G Khumalo**
Chairperson of the Board	**Chief Executive Officer**
Pretoria	Pretoria
28 July 2015	28 July 2015

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

Report on the Financial Statements

Introduction

1. I have audited the financial statements of the Cross Border Road Transport Agency set out on pages 87 to 131, which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of 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 the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the entity as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the PFMA.

Emphasis of matter

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

Going concern

8. As disclosed in note 31 to the financial statements, the liabilities of the public entity are in excess of the assets by R255,677,223. This event indicates a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and therefore the entity may be unable to discharge its liabilities in the normal course of operat.ions.

Restatement of corresponding figures

9. As disclosed in note 29 to the financial statements, the corresponding figures for 31 March 2014 have been restated due to the adjusting event dictated by the court judgement handed down by the Constitutional Court on 12 May 2015 and a fair value adjustment relating to a previous court decision, as a result prior period adjustments had to be effected since the transactions challenged in court related to the prior periods.

Report on other legal and regulatory requirements

10. In accordance with the Public Audit Act of South Africa, 2004 (Act no. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

11. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2015:
    - Programme 1: Regulatory and Legal Services on pages 32 to 39
    - Programme 2: Road and Transport Inspectorate on pages 40 to 43
    - Programme 3: Facilitation and Industry Development on pages 44 to 49
    - Programme 4: Strategic Support on pages 50 to 53
12. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
13. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).
14. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
15. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:
    - Programme 1: Regulatory and Legal Services
    - Programme 2: Road Transport Inspectorate
    - Programme 3: Facilitation and Industry Development
    - Programme 4: Strategic Support

Additional matter

16. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matter

Achievement of planned targets

17. Refer to the annual performance report on page 32 to 61 and 30 to 31 for information on the achievement of the planned targets for the year.

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

Compliance with legislation

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

Expenditure Management

19. The accounting authority did not take effective steps to prevent irregular expenditure, as required by section 51(1) (b) (ii) of the Public Finance Management Act. The expenditure was incurred as a result of certain credit card expenditure not being authorised and this matter was discovered by the entity.

Internal control

20. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matter reported below is limited to the significant internal control deficiency that resulted in the finding on non-compliance with legislation included in this report.

Leadership

21. The accounting authority did not implement adequate monitoring controls over credit card expenditure management due to an oversight.

Other reports

Investigations

22. An independent consulting firm performed an investigation at the request of the entity, which covered the period 18 August 2010 to 12 November 2013. The investigation was initiated based on an allegation of the misuse of a credit card. The investigation was concluded on 26 January 2015 and the entity is in the process of recovering some of the credit card expenditure.

Auditor-General

Pretoria
13 August 2015

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Statement of Financial Position as at 31 March 2015

	NOTE(S)	2015 R	2014 (RESTATED) R
Assets			
Current Assets			
Receivables from exchange transactions	6	1,233,816	954,283
Receivables from non-exchange transactions	7	1,934,950	2,959,617
Cash and cash equivalents	8	109,005,093	120,308,251
		112,173,859	**124,222,151**
Non-Current Assets			
Property, plant and equipment	3	9,535,112	7,971,345
Intangible assets	4	1,193,987	1,668,228
		10,729,099	**9,639,573**
Total assets		**122,902,958**	**133,861,724**
Liabilities			
Current liabilities			
Operating lease liability	23	97,161	520,733
Payables from exchange transactions	10	15,415,009	14,639,074
Provisions (non-exchange transactions)	11	348,694,990	361,000,015
Payables (non-exchange transactions)	12	-	500,000
Provisions (exchange transactions)	9	12,739,021	13,746,066
		376,946,181	**390,405,888**
Non-current liabilities			
Retirement benefit obligation	5	1,634,000	1,555,000
Total liabilities		**378,580,181**	**391,960,888**
Net assets		**(255,677,223)**	**(258,099,164)**
Net assets			
Accumulated deficits		**(255,677,223)**	**(258,099,164)**

Statement of Financial Performance as at 31 March 2015

	NOTE(S)	2015 R	2014 (RESTATED) R
Revenue	13	201,368,566	77,393,220
Other income	14	452,101	1,160,850
Operating expenses		(204,715,572)	(187,190,086)
Operating surplus / (deficit)	16	**(2,894,905)**	**(108,636,016)**
Interest received	19	5,536,844	5,977,300
Operator refunds	20	-	(264,395,370)
Finance and interest costs	21	(220,001)	(141,224)
Surplus (deficit) for the year		**2,421,938**	**(367,195,310)**

Statement of Changes in Net Assets

	ACCUMULATED SURPLUS R	TOTAL NET ASSETS R
Balance at 01 April 2013	**109,096,146**	**109,096,146**
Changes in net assets		
Deficit for the year as restated*	(367,195,310)	(367,195,310)
Total changes	(367,195,310)	(367,195,310)
Opening balance as previously reported	62,580,110	62,580,110
Adjustments		
Correction of errors	(2,168,131)	(2,168,131)
Prior year adjustments	(318,511,140)	(318,511,140)
Balance at 01 April 2014 as restated*	**(258,099,161)**	**(258,099,161)**
Changes in net assets		
Surplus for the year	2,421,938	2,421,938
Total changes	2,421,938	2,421,938
Balance at 31 March 2015	**(255,677,223)**	**(255,677,223)**

Cash Flow Statement

	NOTE(S)	2015 R	2014 (RESTATED) R
Cash flows from operating activities			
Receipts			
Sale of goods and services		202,565,801	78,358,029
Permit income (refunded) / refundable		(11,761,015)	91,481,489
		190,804,786	169,839,518
Payments			
Employee costs		(131,920,471)	(113,066,572)
Suppliers		(69,280,322)	(62,894,257)
Interest paid		-	(2,224)
		(201,200,793)	(175,963,053)
Net cash flows from operating activities	24	**(10,396,007)**	**(6,123,535)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(6,102,441))	(3,830,185)
Purchase of other intangible assets	4	(341,555)	(1,177,914)
Interest income		5,536,844	5,977,300
Net cash flows from investing activities		**(907,152)**	**969,201**
Net increase/(decrease) in cash and cash equivalents		**(11,303,159)**	**(5,154,334)**
Cash and cash equivalents at the beginning of the year		120,308,251	125,462,585
Cash and cash equivalents at the end of the year	8	**109,005,092**	**120,308,251**

Statement of Comparison of Budget and Actual Amounts

BUDGET ON ACCRUAL BASIS	APPROVED BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL AMOUNTS ON COMPARABLE BASIS R	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL R
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Other income	-	-	-	452,101	**452,101**
Interest received - investment	5,316,305	-	**5,316,305**	5,536,844	**220,539**
Total revenue from exchange transactions	**5,316,305**	**-**	**5,316,305**	**5,988,945**	**672,640**
Revenue from non-exchange transactions					
Taxation revenue					
Permit income	184,791,657	-	**184,791,657**	166,797,721	**(17,993,936)**
Transfer revenue					
Fines	23,847,695	**-**	**23,847,695**	34,570,845	**10,723,150**
Total revenue from non-exchange transactions	208,639,352	**-**	**208,639,352**	201,368,566	**(7,270,786)**
Total revenue	213,955,657	**-**	**213,955,657**	207,357,511	**(6,598,146)**
Expenditure					
Personnel	(142,156,068)	-	**(142,156,068)**	(130,244,370)	**11,911,698**
Board related costs	(2,150,000)	-	**(2,150,000)**	(1,754,846)	**395,154**
Operating costs	(65,649,189)	-	**(65,649,189)**	(67,218,535)	**(1,569,346)**
Depreciation and amortisation	(4,000,400)	-	**(4,000,400)**	(5,264,209)	**(1,263,809)**
Finance costs and interest expense	-	-	-	(220,001)	**(220,001)**
Debt impairment	-	-	-	(143,350)	**(143,350)**
Total expenditure	**(213,955,657)**	**-**	**(213,955,657)**	**(204,845,311)**	**9,110,346**
Operating surplus	-	-	-	**2,512,200**	**2,512,200**
Assets written-off and impaired	-	-	-	(90,262)	**(90,262)**
Surplus before taxation	**-**	**-**	**-**	**2,421,938**	**2,421,938**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**2,421,938**	**2,421,938**

Supplementary Information to the Budget and Actual Amounts

	ACTUAL	BUDGET	VARIANCE	COMMENT REFERENCE
Income and Operating expenditure				
Permit revenue	166,797,721	184,791,657	(17,993,936)	Comment (a)
Penalty revenue	34,570,845	23,847,695	10,723,150	Comment (b)
Other income	452,101	-	452,101	
Interest received	5,536,844	5,316,305	220,539	Comment (c)
Gross remuneration	(105,089,498)	(109,783,395)	4,693,897	Comment (d)
UIF	(538,874)	(696,565)	157,691	
13th cheque savings	(4,867,184)	(6,853,953)	1,986,769	Comment (d)
Directors' costs	(1,754,846)	(2,150,000)	395,154	
Medical costs	(4,523,408)	(6,397,023)	1,873,615	Comment (d)
Training, development & bursaries	(631,692)	(3,852,341)	3,220,649	
Pension	(13,621,820)	(17,058,728)	3,436,908	Comment (d)
Other staff related costs	(972,443)	(1,366,404)	393,961	Comment (d)
Impairment of receivables	(143,350)	-	(143,350)	Comment (e)
Printing & stationery	(2,040,484)	(2,016,000)	(24,484)	
Consulting costs	(3,612,166)	(9,505,000)	5,892,834	Comment (f)
Legal fees	(3,384,860)	(2,400,000)	(984,860)	Comment (f)
Travel and accommodation	(25,521,036)	(13,178,891)	(12,342,145)	Comment (g)
Vehicle & Equipment leasing costs	-	(5,400,000)	5,400,000	Comment (g)
Advertising, marketing & rebranding	(568,692)	(1,450,000)	881,308	Comment (k)
Assets written-off and impaired	(90,262)	-	(90,262)	
Internal audit	(1,290,623)	(1,400,000)	109,377	
External audit	(2,171,720)	(2,400,000)	228,280	
Communications	(4,739,487)	(2,679,993)	(2,059,494)	Comment (l)
IT expenses	(2,554,905)	(2,200,000)	(354,905)	
Security	(308,657)	(963,480)	654,823	
Operating leases	(8,708,259)	(7,100,000)	(1,608,259)	Comment (j)
Water & Electricity	(1,051,582)	(623,300)	(428,282)	
Other operating costs	(11,485,516)	(9,670,184)	(1,815,332)	
Team building	-	(810,000)	810,000	Comment (k)
Depreciation and amortisation	(5,264,209)	(4,000,400)	(1,263,809)	Comment (i)
	2,421,938	**-**	**2,421,938**	
Capital expenditure				
Property, plant and equipment	(6,102,441)	(10,476,000)	4,373,559	Comment (m)
Intangible assets	(341,556)	(9,524,000)	9,182,444	Comment (m)
	(6,443,997)	**(20,000,000)**	**13,556,003**	

a) Permit Revenue

The Agency operated on 2003 tariff regulations for the first six weeks of the financial year until 8 May 2014. The lower rates resulted in under-performance against the budgets and projections during the first quarter. Despite the higher number of permits issued, the Agency could not meet its budgeted revenue targets.

b) Penalty Revenue

Increased resources for enforcement, high impact road-blocks and visibility resulted in penalty revenue collection above the budget. Both the number of inspections and prosecutions were up on targets.

c) Interest Received

Interest income was in line with budgeted balances. Whilst an interest rate of 5.5% was budgeted, the actual interest return for money market investments yielded an average of 5% per annum. The interest earned was helped by a better than expected bank balance throughout the year. The investments are low risk call accounts.

d) Staff costs (Made up of gross remuneration, pension, 13th cheque savings, medical costs, UIF and other staff related costs)

Overall, R11 million was saved on staff overheads due to the savings realised on performance bonus, funded positions that were not filled at the beginning of the year and reduced expenditure on employee medical costs.

e) Impairment of receivables

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

f) Consulting costs and Legal fees

Savings on consulting fees and professional services was due to the Agency's decision to use internal capacity in areas that were initially planned to be outsourced (such as corruption and fraud investigations). Legal fees were higher than budgeted due to the appointment of private attorneyson the permit litigation matter.

g) Travel, accommodation and vehicle leasing

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

h) Team building

The savings for team building were a result of the Agency complying with the National Treasury instruction 01 of 2013/14 which prohibits such disretionary expenditure with effect from December 2013.

i) Depreciation and amortisation

Depreciation and amortisation was significantly above the budget. The budget estimates were understated.

j) Operating leases

Additional space was occupied towards the end of the last financial year for Head Office staff as well as Regional Offices. This resulted in actual rental expenditure incurred above the budget.

k) Marketing

Core marketing programmes relating to re-branding were deferred to the next financial year.

l) Communication:

Increased data usage for remote connectivity than budgeted for led to over-expenditure.

m) Capital expenditure:

Delays in the implementation of the new permit issuance system and delays in the construction of a new website resulted in the capital budget under-expenditure.

Accounting Policies

1. Basis of preparation and presentation of the Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement. The basis of preparation of the annual financial statements is consistent with that of the previous financial year.

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

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

Recognition of Penalty Income

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

Defined benefit obligations

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

Fair value

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

Use of estimates and judgements

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

Judgements

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

Estimates

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Comparatives Prior year

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

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

Budget comparatives

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

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts presented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and other receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date.

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

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Agency uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Agency for similar financial instruments.

Accounting Policies (cont.)

Impairment testing

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

Provisions

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

Depreciation and amortisation

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

Trade and other payables

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

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

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

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

Effective interest rate

The Agency used the average interest rate of 8% - 9% to discount future cash flows.

Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment are initially measured at cost.

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

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

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

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

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

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

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

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

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Accounting Policies (cont.)

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

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

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

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

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

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

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

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

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the Agency or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	**Useful life**
Computer software	1 - 12 years

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in Surplus or deficit when the asset is derecognised.

1.7 Financial instruments

Recognition and Classification

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

Initial Recognition

The Agency recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the Agency becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Accounting Policies (cont.)

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial Measurement

When a financial instrument is recognised, the Agency measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

a) Financial instruments at fair value such as derivatives or instruments held for trading or an investment in a residual interest for which fair value can be measured reliably.

b) Financial instruments at amortised cost.
Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition or are held for trading.

c) Financial instruments at cost.
Investments in residual interests, which do not have quoted market prices and for which fair value cannot be determined reliably.

The Agency assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

Derecognition

A financial asset is derecognised at trade date, when:

a) The cash flows from the asset expire, are settled or waived;
b) Significant risks and rewards are transferred to another party; or
c) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Gains and losses

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

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

Offsetting

The Agency does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

Impairments

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The Agency assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For financial assets held at amortised cost:

The Agency first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

For financial assets held at cost:

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

Policies relating to specific financial instruments

Investments at amortised cost

Investments, which include [listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks] are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Investments at fair value

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

Accounting Policies (cont.)

Investments at cost

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

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

Assets

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

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

Liabilities

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

Impairment of financial contracts

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Presentation

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

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

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

Receivables from non exchange transactions

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

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

Payables from exchange transactions

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

Cash and cash equivalents

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

1.8 Tax

Current tax assets and liabilities

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

The Agency is exempted from Corporate Tax obligations.

1.9 Leases

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance

Accounting Policies (cont.)

charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

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

1.11 Impairment of non-cash-generating assets

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

Non-cash-generating assets are assets other than cash-generating assets.

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

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

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense. Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is either:

(a) the period of time over which an asset is expected to be used by the Agency; or

(b) the number of production or similar units expected to be obtained from the asset by the Agency.

Identification

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in Surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

Accounting Policies (cont.)

1.12 Employee benefits

Employee benefits are all forms of consideration given by the Agency in exchange for service rendered by employees.

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which the Agency provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the Agency recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

Post-employment benefits: Defined benefit plans

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

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

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

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

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

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

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

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

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

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

Accounting Policies (cont.)

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled. The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

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

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

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the Agency settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when the Agency:

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the Agency receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Accounting Policies (cont.)

Courier and priority mail

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

Measurement

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

Interest received

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Agency, and
- The amount of the revenue can be measured reliably.

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

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

1.15 Revenue from non-exchange transactions

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

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

Permit issue fees

Revenue is recognised on the issuing of permits and measured based on regulated tariffs in accordance with the Cross-Border Road Transport Agency Act (Act No. 4 of 1998).

Application fees

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

Penalty revenue

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

Assets arising from issued fines are measured at the best estimate of the inflow of resources to the Agency.

Recognition

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

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

Measurement

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

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

Gifts and donations, including goods in-kind

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

1.16 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of the Agency directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.17 Comparative figures

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

1.18 Fruitless and wasteful expenditure

Fruitless expenditure is defined in section 1 of the PFMA as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

1.19 Irregular expenditure

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

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

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

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

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

Accounting Policies (cont.)

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

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

1.20 Conditional grants, donations and other receipts

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

1.21 Research and development expenditure

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

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

1.22 Budget information

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

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

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 01/04/2014 to 31/03/2015.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period has been included in the Statement of Comparison of Budget and Actual Amounts in line with GRAP 24.

The annual financial statements and the budget are on the same basis of accounting, however a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements to highlight unbudgeted expenditure items incurred. Refer to note 35.

1.23 Related parties

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

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

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

Transactions with related parties are disclosed.

1.24 Events after the reporting date

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

Notes to the Annual Financial Statements

2. New standards and interpretations

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

In the current year, the following standards became effective and may or may not have had immediate impact or relevance to the Agency's operations:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	COMMENT ON IMPACT IN THE FINANCIAL YEAR
GRAP 105: Transfers of functions between entities under common control	01 April 2014	No impact
GRAP 106: Transfers of functions between entities not under common control	01 April 2014	No impact
GRAP 107: Mergers	01 April 2014	No impact
IGRAP 11: Consolidation – Special purpose entities	01 April 2014	No impact
IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	No impact
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	No impact
GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	No impact
GRAP 8 (as revised 2010): Investments in Joint Ventures	01 April 2014	No impact
GRAP 18: Segment Reporting	01 April 2014	No impact

2.2 Standards and interpretations issued, but not yet effective

The Agency has not applied the following standards and interpretations, which have been published and are mandatory and may or may not have an impact to the Agency's accounting periods beginning on or after 01 April 2015 or later periods:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
GRAP 20: Related parties	01 April 2015	Early adopted
GRAP32: Service Concession Arrangements: Grantor	01 April 2015	No impact
GRAP108: Statutory Receivables	01 April 2015	Will have an impact on penalty receivable measured at fair value
IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2015	No impact

3. Property, Plant and Equipment

	2015			2014		
	COST/ VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST/ VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Furniture and fixtures	4,579,212	(1,254,772)	3,324,440	3,648,708	(819,061)	2,829,647
Office equipment	3,750,077	(1,383,323)	2,366,754	1,255,085	(784,648)	470,437
Computer equipment	8,194,045	(5,040,418)	3,153,627	6,218,926	(3,392,670)	2,826,256
Leasehold improvements	6,720,877	(6,294,495)	426,382	6,215,985	(4,734,532)	1,481,453
Motor vehicles	472,266	(267,990)	204,276	472,265	(173,536)	298,729
Signage	79,475	(19,842)	59,633	79,475	(14,652)	64,823
Total	**23,795,952**	**(14,260,840)**	**9,535,112**	**17,890,444**	**(9,919,099)**	**7,971,345**

Reconciliation of property, plant and equipment - 2015

	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	IMPAIRMENT LOSS	TOTAL
Furniture and fixtures	2,829,647	930,504	-	(435,710)	-	3,324,441
Office equipment	470,437	2,507,299	(2,461)	(564,031)	(44,490)	2,366,754
Computer equipment	2,826,256	2,159,747	(43,311)	(1,789,064)	-	3,153,628
Leasehold improvements	1,481,453	504,891	-	(1,559,962)	-	426,382
Motor vehicles	298,729	-	-	(94,453)	-	204,276
Signage	64,823	-	-	(5,192)	-	59,631
	7,971,345	**6,102,441**	**(45,772)**	**(4,448,412)**	**(44,490)**	**9,535,112**

Reconciliation of property, plant and equipment - 2014

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

4. Intangible assets

	2015			2014		
	COST/ VALUATION	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST/ VALUATION	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Computer software	**4,567,084**	**(3,373,097)**	**1,193,987**	**4,225,529**	**(2,557,301)**	**1,668,228**

Reconciliation of intangible assets - 2015

	OPENING BALANCE	ADDITIONS	AMORTISATION	TOTAL
Computer software	1,668,228	341,555	(815,796)	1,193,987

Reconciliation of intangible assets - 2014

	OPENING BALANCE	ADDITIONS	AMORTISATION	TOTAL
Computer software	1,145,517	1,177,914	(655,203)	1,668,228

Notes to the Annual Financial Statements (cont.)

5. Employee Benefit Obligations

Defined benefit plan

The plan and liability is with respect to members currently employed as well as existing continuation members who are no longer in the employ of the Agency who qualify for continuation health care costs.

Post retirement medical aid plan

The Agency has in place a post employment medical benefit plan to which 12 members (2014:12 members) belong. It is made up of members of the Government Employee Medical Scheme as well as Medihelp. The Agency's obligation is limited to a monthly contribution of R1, 014 per person per month (2014: R1,014). Medical inflation is expected to exceed general inflation by 3% per annum.

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

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

	2015 R'000	2014 R'000
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(312,000)	(268,000)
Present value of the defined benefit obligation-partly or wholly funded	(1,322,000)	(1,287,000)
	(1,634,000)	**(1,555,000)**
The valuation results show a liability in respect of accrued service equal to R1,634,000. Whilst the actuarial losses were calculated at R77, 000; total interest cost and service costs for the period from 1 April 2014 to 31 March 2015 were R143,000 and R5,000 respectively.		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	(1,555,000)	(1,646,000)
Benefits paid	146,000	146,000
Net expense recognised in the Statement of Financial Performance	(225,000)	(55,000)
	(1,634,000)	**(1,555,000)**
Net expense recognised in the Statement of Financial Performance		
Current service cost	(5,000)	(5,000)
Interest cost	(143,000)	(139,000)
Actuarial (losses) gains	(77,000)	89,000
	(225,000)	**(55,000)**
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	8.42 %	9.18 %
Medical cost trend rates	9.59 %	10.02 %
Expected increase in salaries	6.59 %	7.02 %

The assumed retirement age used was 60 years and a full subsidy will be paid to the members irrespective of the number of years' service.

Defined contribution plan

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

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

6. Receivables from exchange transactions

	2015 R	2014 R
Deposits, prepayments and advances	**1,233,816**	**954,283**

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

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

Credit quality of trade and other receivables

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

None of the financial assets that are fully performing have been renegotiated or deemed as impaired in the last year.

Trade and other receivables impaired

As of 31 March 2015, trade and other receivables of R143, 350 (2014: R1, 125, 910) were impaired and provided for due to failure by some courts and other debtors to remit money due to the Agency on time. An amount of R168, 080 (2014:R35, 331) was written off as it was deemed uncollectable. The amount was provided as impaired in prior years.

The impaired debtors were outstanding for more than 12 months.

7. Receivables from non-exchange transactions

	2015 R	2014 R
Penalty revenue	3,298,550	4,145,500
Other receivables	185,894	366,580
Staff debtors	29,056	50,817
Provision for impairment	(1,578,550)	(1,603,280)
	1,934,950	**2,959,617**

Penalty revenue receivables are fines due from courts, whilst staff debtors relate to claims for the Agency's assets lost.

None of the financial assets that are fully performing have been renegotiated in the last year.

Notes to the Annual Financial Statements (cont.)

	2015 R	2014 R
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	1,603,280	512,700
Provision for impairment	143,350	1,125,910
Amounts written off as uncollectible	(168,080)	(35,330)
	1,578,550	**1,603,280**

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

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

8. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2015 R	2014 R
Cash on hand	20,000	20,000
Bank balances	18,486,058	16,551,787
Short-term deposits	90,499,035	103,736,464
	109,005,093	**120,308,251**

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

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

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

9. Provisions (exchange transactions)

Reconciliation of provisions (exchange transactions) - 2015

	OPENING BALANCE	ADDITIONS	UTILISED DURING DURING THE YEAR	REVERSED DURING THE YEAR	TOTAL
Provision for staff performance bonuses	13,746,066	4,326,723	(5,203,463)	(130,305)	12,739,021

Reconciliation of provisions - 2014

	OPENING BALANCE	ADDITIONS	TOTAL
Provision for staff performance bonuses	9,063,825	4,682,241	13,746,066

The staff performance bonus provision was provided at a maximum of 8% of gross basic remuneration per annum. Performance bonus is payable to qualifying employees. R5 million relates to the prior financial year for qualifying employees, still to be paid.

10. Payables from Exchange Transactions

	2015 R	2014 R
Trade payables	3,881,035	5,362,811
Accrued leave pay	6,101,369	5,510,954
Accrued bonus	1,142,888	1,167,408
Workman's compensation accrual	1,052,834	625,794
Other accrued expenses	1,156,942	124,934
Statutory liabilities	2,079,941	1,847,173
	15,415,009	**14,639,074**

11. Provisions (non-exchange)

	2015 R	2014 R
Permit fees received in advance and refundables	**348,694,990**	**361,000,015**

An amount of R318,511,140 (in the refundables) relates to the provision due to Operators as a result of a Constitutional Court judgement to refund some Cross Border Road Transport Operators.

12. Payables (non-exchange transactions)

	2015 R	2014 R
Transfers payable	**-**	**500,000**

13. Revenue

	2015 R	2014 R
Permit issue fees	131,723,139	31,816,144
Permit application fees	35,074,582	10,524,276
Penalty income	34,570,845	35,052,800
	201,368,566	**77,393,220**
The amount included in revenue arising from non-exchange permit issuance transactions is broken down as follows:		
Permit issue fees	131,723,139	31,816,144
Permit application fees	35,074,582	10,524,276
	166,797,721	**42,340,420**
The amount included in revenue arising from non-exchange penalty transactions is as follows:		
Penalty revenue (fines)	34,570,845	35,052,800

Notes to the Annual Financial Statements (cont.)

14. Other Income

	2015 R	2014 R
Postage,administrative and general item charges	452,101	1,071,850
Actuarial gains	-	89,000
	452,101	**1,160,850**

15. General Expenses

	2015 R	2014 R
Advertising, publicity, marketing and branding	568,692	1,092,486
Audit fees	3,462,343	3,329,013
Bank charges	1,382,616	1,146,025
Cleaning & Office supplies	451,033	401,067
Consulting, professional fees	9,108,170	11,065,724
Entertainment and staff welfare	846,161	904,584
Corporate gifts	323,335	374,048
Insurance	187,219	214,950
Conferences and seminars	995,946	947,570
IT expenses	2,554,905	2,257,190
Lease rentals on operating lease	8,708,259	6,380,171
Resource materials, magazines, books and periodicals	349	51,721
Motor vehicle expenses	2,000	4,370
Placement fees	388,625	634,176
Printing and stationery	2,040,484	2,341,096
Security	308,657	269,664
Staff welfare	128,152	393,000
Subscriptions and membership fees	1,544,195	746,892
Telephone, cellphones and fax	4,739,487	4,096,244
Training and development	631,692	3,368,932
Travel and accommodation expenses	26,682,227	21,857,838
Small tools	36,246	40,205
Electricity and water	1,051,582	573,342
Uniforms	677,833	281,044
	66,820,208	**62,771,352**

The amount for consulting, professional fees is made up of legal costs, fraud and corruption investigations as well as pay-outs for service termination.

16. Operating surplus / (deficit)

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

	2015 R	2014 R
Operating lease charges		
Premises		
Contractual amounts	8,708,259	6,380,171
Assets written off and impaired assets	(90,262)	(67,594)
Amortisation on intangible assets	815,797	655,203
Depreciation on property, plant and equipment	4,448,412	4,059,555
Employee costs	131,999,216	118,189,614

17. Employee Related Costs

	2015 R	2014 R
Basic salaries	98,492,601	84,696,376
Performance bonus	4,196,418	4,682,241
Medical aid - company contributions	4,523,408	3,966,212
Unemployment Insurance Fund	538,874	514,826
Workman's Compensation	427,040	369,735
Temp salaries	377,637	339,356
Leave pay provision charge	927,568	1,100,461
Pension and Provident Fund Contribution	13,621,820	12,430,844
Long-service awards	283,132	460,129
13th Cheques	4,867,184	4,630,543
Car allowance	3,350,648	4,627,563
Danger allowance	313,989	289,880
Night shift allowance	78,897	81,448
	131,999,216	**118,189,614**

18. Debt Impairment

	2015 R	2014 R
Debt impairment	143,350	1,125,910

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

19. Investment Revenue

	2015 R	2014 R
Interest revenue		
Bank	5,536,844	5,977,300

The Agency has money market investments yielding an average of 5% (2014: 5%) per annum.

Notes to the Annual Financial Statements (cont.)

20. Operator refunds and other adjustments

	2015 R	20134 R
Other financial liabilities		
Operator refunds	-	264,395,370

Operator refunds relate to a provision made due to the Costitutional Court judgment of 12 May 2015.

21. Finance and interest costs

	2015 R	20134 R
Trade and other payables	-	2,224
Finance costs	143,000	139,000
Actuarial losses	77,000	-
	220,000	**141,224**

22. Auditors' Remuneration

	2015 R	2012 R
External audit	2,171,720	2,132,908
Internal audit	1,290,623	1,196,105
	3,462,343	**3,329,013**

23. Operating Lease

The Agency entered into a major operating lease agreement with Erf 49 Menlyn (Proprietary) Limited for a period randing from one to five years commencing 01 February 2010 and terminating on 31 January 2015. Additional office space was procured from the same landlord for periods randing from 13 months to 4 years but all ending 31 January 2015 again. On expiry, the leases were extended for another two years to expire on 31 January 2017. The leases are for buildings one, three, four and five Glen Manor Office Park, 138 Frikkie de Beer Street, Menlyn, Pretoria. The leases' significant leasing arrangements include

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

The Agency also has an operating lease for some photocopiers as well as the PABX system. The Agency also has office space for regional offices. Some of the regional offices are on short term contracts while others are over a period of 1 year but none in excess of 3 years.

	2015 R	2012 R
Operating lease liability		
Lease accrual	**97,161**	**520,723**

24. Cash (Used In) Generated from Operations

	2015 R	2014 R
Surplus (deficit)	2,421,938	(367,195,310)
Adjustments for:		
Depreciation and amortisation	5,264,209	4,714,758
Loss on sale of assets and liabilities	90,262	67,594
Operator refunds	-	264,395,370
Interest income	(5,536,844)	(5,977,300)
Debt impairment	143,350	1,125,910
Movements in operating lease assets and accruals	(423,572)	(161,525)
Movements in retirement benefit assets and liabilities	79,000	(91,000)
Movements in provisions	(1,007,045)	4,682,241
Changes in working capital:		
Receivables from exchange transactions	(279,533)	(380,045)
Increase in impairments	(143,350)	(1,125,910)
Other receivables from non-exchange transactions	1,024,667	273,003
Payables from exchange transactions	775,936	(775,906)
Provisions (non-exchange transactions)	(12,305,025)	94,324,585
Payables (non-exchange transactions)	(500,000)	-
	(10,396,007)	**(6,123,535)**

25. Commitments

Authorised capital expenditure

	2015 R	2014 R
Already contracted for but not provided for		
Property, plant and equipment	809,680	2,695,665

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

Authorised operating expenditure

	2015 R	2014 R
Minimum lease payments due		
- within one year	8,361,428	7,085,110
- in second to fifth year inclusive	6,954,947	1,046,972
	15,316,375	**8,132,082**

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

Commitments have been made to several suppliers of services for current expenditure amounting to R5,018,487 (2014 : R3,371,080)

Notes to the Annual Financial Statements (cont.)

26. Contingencies

There is a litigation matter that is currently on-going against the Agency relating to some disputes with Operators emanating from the impounding of their vehicles. The litigants allege that the Agency has acted unlawfully in impounding their vehicles and are seeking compensation for the loss of income as well as wrongful arrest. The litigants are seeking R10, 7 million from the Agency.

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

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

A member of the public was involved in a collision incident with one of the employees of the Agency whilst the employee was on duty. He has since claimed damages amounting R3, 9 million (through a letter of demand) alleging negligency on the part of the staff member. The matter is still being investigated and has not been lodged with the courts.

There is also a pending litigation matter against the Agency lodged by some Cross Border Operators against the 2014 Permit tariffs Regulations that became effective on the 8th of May 2014. These operators allege that the Regulations are invalid and they are seeking that the Regulations be set aside. The Agency is opposing the application for the setting aside of these Regulations.

27. Related Parties

	2015 R	2014 R
Related party balances		
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Department of Justice and Constitutional Development	-	(417,297)
Government Printer Works	(34,242)	(137,810)
Road Traffic Infringement Agency (RTIA)	-	(500,000)
Related party transactions		
Department of Justice and Constitutional Development	1,064,054	995,332
Government Printer Works	413,839	330,703
Road Traffic Infringement Agency (RTIA)	-	500,000

The Department of Justice provides legal services to the Agency through the State Attorney, whilst the Government Printers supplies sensitive stationery and gazetting. A contribution was made by the Agency towards the Road Safety Summit hosted by the RTIA in the prior financial year.

No transactions were entered into with the Department of Transport and any of the entities reporting to the Department except that of the RTIA for the 2013/14 financial year.

28. Key Management Information (Directors' emoluments)

Non-Executive

	EMOLUMENTS	REIMBURSIVE EXPENDITURE	TOTAL
2015			
Ms. PE Pokane (Chairperson)	179,823	8,196	188,019
Ms. MMD Nkomo	147,226	6,688	153,914
Mr. AN Mhlongo	147,226	21,650	168,876
Mr. TA Bailey	147,226	12,387	159,613
Adv SC Letele	147,226	3,094	150,320
Prof WD Thwala (retired 30 April 2014)	11,607	4,297	15,904
Mr. WB Smith	147,226	4,287	151,513
Mr. MCT Scott	147,226	34,800	182,026
Mr. AG Noah	147,226	7,068	154,294
Ms. SO Mohammed (appointed 01 May 2014 and resigned 01 March 2015)	122,689	1,335	124,024
Mr. RA Dlamini (resigned 31 January 2015)	122,689	10,800	133,489
	1,467,390	**114,602**	**1,581,992**

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

Notes to the Annual Financial Statements (cont.)

Remuneration of Executive Management

	ANNUAL REMUNERATION	TRAVEL, CAR AND CELLPHONE ALLOWANCES	PERFORMANCE BONUS AND VARIABLE PORTION	ACTING ALLOWANCES AND OTHER PAYMENTS	TOTAL
2015					
Chief Executive Officer	2,234,294	94,585	144,149	-	2,473,028
Executive: Road Transport Inspectorate (appointed 01 June 2014)	1,313,333	106,229	-	-	1,419,562
Executive: Regulatory & Legal Services	1,295,513	76,117	82,030	-	1,453,660
Chief Financial Officer	1,283,320	123,610	83,864	-	1,490,794
Chief Operating Officer (appointed 01 April 2014)	1,744,448	83,722	-	35,051	1,863,221
Executive: Corporate Services (resigned 31 July 2014)	356,839	9,200	-	1,300,147	1,666,186
Executive: Facilitation and Industry Development (resigned 30 November 2014)	760,124	187,105	82,940	473,440	1,503,609
Acting Executive: Facilitation and Industry Development	803,247	99,392	-	79,533	982,172
Executive: Corporate Governance	1,371,381	37,759	-	124,933	1,534,073
Executive: Corporate Governance (resigned 12 July 2013)	-	-	79,624	-	79,624
Executive: Strategic Support (resigned 30 September 2014)	524,184	110,177	-	90,628	724,989
Chief Information Officer (appointed 01 February 2015)	200,607	14,550	-	-	215,157
	11,887,290	**942,446**	**472,607**	**2,103,732**	**15,406,075**

The performance bonus paid in April 2014 related to the financial year ending March 2013. A provision has been made for performance bonuses for the year ending March 2014 but yet to be paid.

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

Service contracts

The Executive Managers are subject to written employment agreements. The employment agreements regulate the duties, remuneration, allowances, restraints, leave and notice periods of these executives. None of these service contracts exceed five years.

29. Prior period adjustments

An amount of R40 million that was due and refundable (received in advance) to Cross Border Road Transport Operators in the prior year (note 11) has been re-classified as a provision (non- exchange transactions).

Due to the adjusting events dictated by the court judgement handed down by the Constitutional Court of 12 May 2015, prior period adjustments had to be effected since the transactions challenged in court related to the prior periods. Financials for 2013/14 had to be reinstated in line with the North Gauteng High Court of November 2013.

The adjustments to the previous financial year (2013/14) related to permits that were issued between April 2011 and August 2013 as well as some 5 year permits that were not provided for refund.

The gain on present valuation as reported prior year was reversed to comply with provisions of GRAP 104

The correction of the error(s) results in adjustments as follows:

	2015 R	2014 R
Statement of financial position		
Provisions (non-exchange)	-	(318,511,140)
Provisions (non-exchange)	-	(40,320,744)
Payables (non-exchange)	-	40,320,744
Provisions (non-exchange)	-	(2,168,131)
Statement of Financial Performance		
Permit Revenue	-	54,115,770
Operator refunds (expense)	-	264,395,370
Other Income	-	2,168,131
Cash flow statement		
Cash flow from operating activities		
Sale of goods and services	-	(54,115,770)
Permit income refundable	-	54,115,770
	-	**-**

30. Risk Management

Capital risk management

The Agency's objectives when managing capital are to safeguard the Agency's ability to continue as a going concern in order to provide services to the South Africa public and benefits for other stakeholders. The capital structure is currently free of any long term debt except for the retirement benefit obligation relating to medical costs for some former and current employees. As a state owned entity, the Agency has no desire to maintain a highly geared capital structure. There is however, material short term liabilities due to some Cross Border Operators. The funding to liquidate this liability is being sought from the shareholder.

Liquidity risk

The Agency's risk to liquidity is a result of the funds available to cover future commitments. The Agency manages liquidity risk through an ongoing review of future commitments and other sources of funding.

Cash flow forecasts are prepared and are being monitored whilst a review of tariffs is being considered. Other sources of funding are also being explored, including a short term support to meet Operator claims for refunds.

Notes to the Annual Financial Statements (cont.)

Interest rate risk

The Agency has some interest-bearing assets in the form of investments in the money marke. However, its income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Agency only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread client base. Management evaluated credit risk relating to customers on an ongoing basis. Most of the Agency's debtors are Magisterial Courts within South Africa.

31. Going Concern

We draw your attention to the fact that as at 31 March 2015, the Agency had accumulated deficits of R255,677,223 (2014: R258,099,164 as restated) and that the Agency's total liabilities exceeded its assets by R255,677,223 (2014: R258,099,164).

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

The excess of liabilities over assets has been due to the Constitutional Court judgement that ruled in favour of some cross-border hauliers and rendered the 2011 Permit Tariff Regulations invalid with effect from 01 April 2011. The judgement was handed down on 12 May 2015 and compelled the Agency to provide for the refunds to affected Cross Border Operators. The Agency is a public entity created by an Act of Parliament (CBRT Act 4 of 1998 as amended) with a sole mandate of providing for cooperative and coordinated advice, regulation, facilitation and law enforcement in respect of cross border road transport by the public and private sector. Furthermore, the Agency has requested that the Shareholder fund any shortfall that may arise as a result of claims made by the Operators.

The ability of the Agency to continue as a going concern is dependent on the ability of the Agency to source such funding from the Shareholder as and when the need arises. The Going Concern basis presumes the funds will be available to finance future operations and that the realisation of assets and liabilities and other contingent obligations will occur in the ordinary course of business. The financial statements were prepared on the basis that the Department of Transport has neither the intention nor the need to liquidate nor curtail materially, the scale of the Agency's operations. The year under review recorded a surplus of R2,421,938.

Further the Agency has put in place some contingent measures to ensure going concern. The following are some of the activities the Agency has initiated to ensure it meets its obligations in the foreseeable future:

- In a bid to curtail costs, the Agency is revising its Annual Performance Plans (APP) and reducing on discretionary expenditure. The revision of the APP is not expected to compromise service delivery materially. Updated cash-flow forecasts are being prepared on a regular basis to reflect availability of funds and the impact these cost containment measures as the Agency negotiates with the Shareholder for additional funding;
- Engagements have been taken to negotiate with the creditors due for refunds for the Agency to be given time to consult with and obtain funding from the Executive Authority. A period of three months was agreed with Operators who have been engaged so far. Should funding not be available from the Shareholder, the claimants will be engaged to negotiate for refunds to be staggered and be paid in proportions (payment plan) to ensure liquidity on the part of the Agency. Engagement with creditors is on-going;
- The Executive Authority has been made aware of the current situation and a letter of comfort/ support is being sought from the Department of Transport ensuring the Agency meets its obligations as they fall due. The letter requesting financial assistance was sent to the Executive Authority in May 2015. The Minister of Transport subsequently sent the letter to the Minister of Finance seeking concurrence on financial assistance for the Agency on the 14th of July 2015;
- Alternative funding models are being considered and will continue to be explored to diversify the revenue basis in line with the founding CBRT Act;
- Future budget assumptions have provided for funding of law enforcement operations (the inspectorate) from the National Treasury through the government allocation as is permitted by the CBRTA act. This revenue stream has been incorporated into the 2016/17 budget and the entire medium term expenditure estimates.

32. Events After the Reporting Date

On 12 May 2015, on a matter brought against the Agency by some Cross Border Operators, the Constitutional Court ruled against the Agency. This related to a matter relating to constitutional validity of retrospective refunds as sought by the Operators. The Agency was compelled to refund the Operators and additional R319 million over and above R37 million that had been made available in the prior financial year. In line with GRAP 14, this judgement constitutes an adjusting event and these financial statements were adjusted accordingly to consider the impact of the determination as it confirmed that the Agency had present obligation at the end of the reporting period.

Further to the matter above, two members of the board, namely; Mr. N. Mhlongo (Chairperson of the Audit Committee) and Mr. AG Noah (Chairperson of the Human Resources Committee) resigned during the month of June 2015; with effect from 1 July and 1 August 2015 respectively. Ms. M. Nkomo has since been appointed Chairperson of the Audit and Risk Committee.

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

33. Fruitless and Wasteful Expenditure

	2015 R	2014 R
Opening balance	13,913	11,689
Add: relating to current year	-	2,224
Less: amounts reversed	(10,051)	-
Less amounts condoned	(3,862)	-
	-	**13,913**

Fruitless expenditure related to some interest charges from service providers on late payments and disputed transactions.

34. Irregular Expenditure

	2015 R	2014 R
Opening balance	1,747,763	920,010
Add: Irregular Expenditure – current year	534,938	827,753
Less: Amounts condoned	(1,825,442)	-
	457,259	**1,747,763**

Analysis of expenditure awaiting condonation per age classification

	2015 R	2014 R
Current year	457,259	827,753
Prior years	-	920,010
	457,259	**1,747,763**

The irregular expenditure of R457, 259 relates to transactions processed on the company credit card without appropriate approvals.

The Irregular expenditure condoned during the year relates to month-on-month contracts especially for regional office rentals and security. Service providers have since been appointed in line with regulations and the Agency's Supply Chain Management policy.

Notes to the Annual Financial Statements (cont.)

35. Reconciliation between Budget and Statement of Financial Performance

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

	2015 R	2014 R
Net (deficit)/surplus per the Statement of Financial Performance	2,421,938	(367,195,310)
Adjusted for:		
Loss on disposal of assets and impairments	233,612	1,193,504
Finance charges and interest expense	143,000	139,000
Fruitless and wasteful expenditure	1	2,224
Special marketing events	-	500,000
Consulting and legal fees	(4,907,974)	(4,922,660)
Other operating expenses	6,702,831	3,767,344
Depreciation and amortisation	1,038,298	2,307,438
Employee costs and board costs	(12,306,852)	(1,424,462)
Actuarial losses / (gains)	77,000	(89,000)
Operator refunds	-	264,395,370
Under / (over)-recovery of budgeted income	6,598,146	101,326,552
Net surplus per approved budget	-	-

Detailed Statement of Financial Performance as at 31 March 2015

	NOTE(S)	2015 R	2014 R
Revenue			
Permit issue fees		131,723,139	31,816,144
Permit application fees		35,074,582	10,524,276
Other income		452,101	1,160,850
Interest received - investment		5,536,844	5,977,300
Penalty revenue		34,570,845	35,052,800
Total revenue		**207,357,511**	**84,531,370**
Expenditure			
Personnel	17	(131,999,216)	(118,189,614)
Relocation expenditure		(90,501)	(6,000)
Depreciation and amortisation		(5,264,209)	(4,714,758)
Finance costs and interest	21	(220,001)	(141,224)
Debt impairment	18	(143,350)	(1,125,910)
Document storage costs		(174,991)	(188,458)
Repairs and maintenance		(132,835)	(126,400)
General Expenses	15	(66,820,208)	(62,771,352)
Total expenditure		**(204,845,311)**	**(187,263,716)**
Operating surplus (deficit)	16	**2,512,200**	**(102,732,346)**
Assets written off and impaired		(90,262)	(67,594)
Operator refunds	20	-	(264,395,370)
		(90,262)	**(264,462,964)**
Surplus (deficit) for the year		**2,421,938**	**(367,195,310)**

Notes

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