CROSS•BORDER
ROAD TRANSPORT AGENCY

Annual Report

2016•17

CROSS•BORDER
ROAD TRANSPORT AGENCY

Contents

PART A

GENERAL INFORMATION

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

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

2. List of Abbreviations/Acronyms

AGM	Annual General meeting
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
CIO	Chief Information Officer
CONDEP	Container Depot
CPIX	Consumer Price Index
DoT	Department of Transport
DPSA	Department of Public Service and Administration
DRC	Democratic Republic of Congo
FID	Facilitation and Industry Development
FSB	Financial Services Board
FTC	Fixed Term Contract
IACF	Inter-Agency Clearing Forum
IPDP	Industry Partnership Development Programme
JC	Joint Committee
JRMG	Joint Route Management Group
MAR	Market Access Regulation
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NRTA	National Road Traffic Act
NTB	Non-Tariff Barrier
OCAS	Operator Compliance Accreditation Scheme
OGEFREM	Office de Gestion du Fret Multimodal
PCOT	Portfolio Committee on Transport
PFMA	Public Finance Management Act
PMS	Performance Management Systems
RAF	Road Accident Fund
RC	Regulatory Committee
REMCO	Remuneration Committee
RSA	Republic of South Africa
RTI	Road Transport Inspectorate
RTMC	Road Traffic Management Corporation
SACU	Southern African Customs Union
SADC	Southern African Development Community
SALGA	South African Local Government Association
SANRAL	South African National Roads Agency
SATC	South African Transport Conference
SCM	Supply Chain Management
SMME	Small Medium and Micro Enterprise
TKC	Trans Kalahari Corridor
TR	Treasury Regulations

3. Foreword by the Chairperson

Introduction

The opportunity to lead and contribute towards achieving seamless cross-border flow by road of commercial freight and passenger transport between South Africa and regional member states is indeed humbling.

The statement *"Without transport there can be no trade. Without trade, there can be no meaningful industrialization and without industrialization, Africa's economies cannot be transformed and meaningfully diversified"* calls for the Agency to render its services in a manner that will make a significant input into the transport and trade space in the region and across Africa. This statement further alludes to the magnitude of challenges that lie ahead of us in our continuous efforts to carry out our mandate of regulating the cross border industry.

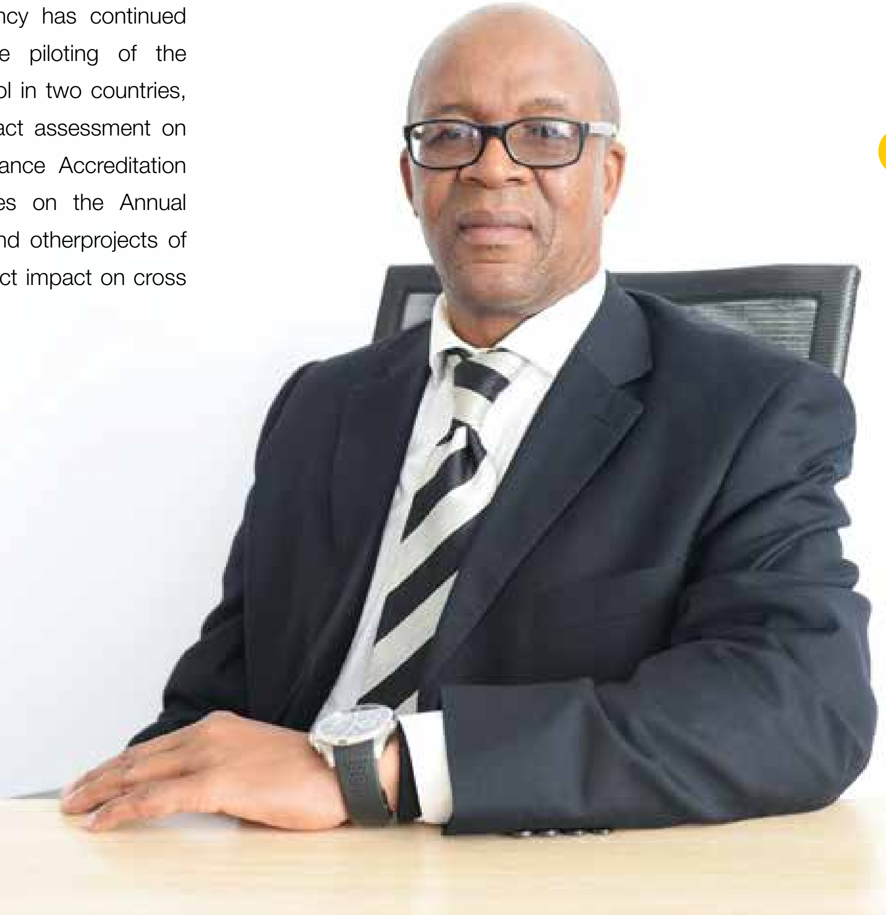
The fact that in the SADC region, a significant percentage of cross-border traffic is carried by road transport necessitates that all stakeholders make a resounding contribution in identifying mechanisms that can guarantee efficient and effective road transport services. These effective and efficient road transport services will reaffirm the position of transport as the heartbeat of the economy.

As the Agency, we are positioned to contribute towards affirming transport as a heartbeat of the economy and also achieve the aspirations expressed in the National Development Plan with respect to regional integration.

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

The key to the success of our 'Operator focused strategy' is optimised value-add in all services rendered. Implementation of this strategy implied emphasis on addressing constraints thereby continuing to implement initiatives that will result in the ultimate goal of unimpeded flow of transport. The Agency achieved some milestones on a number of strategic initiatives and programmes that are geared to enhance value-add to primary operators in their specific business operations. In pursuit of the operator-focused strategy, the Agency has continued to implement amongst others the piloting of the Market Access Regulation (MAR) Tool in two countries, completed the socio-economic impact assessment on implementation of Operator Compliance Accreditation Scheme (OCAS), conducted studies on the Annual State of Cross-Border Operations and otherprojects of significance that have direct or indirect impact on cross border business operations.

The MAR Tool is a scientific tool intended to regulate competition in respect of passenger transport. It is envisaged that this tool will enable the Agency to balance demand and supply for issuance of passenger transport permits. In 2016/17, this tool was piloted in Zimbabwe and Malawi and the outcomes of the pilot will be weighed against the objectives that the MAR is geared to achieve. It will will be enhanced accordingly. This tool is in line with the vision of the National Development Plan and is expected to result in a significant impact in terms of a reduction in passenger transport conflicts in the subsector.



3. Foreword by the Chairperson (cont.)

OCAS is an intelligent risk-based regulatory tool for certifying and licensing cross border operators. It is founded on the basis of safety management systems and therefore seeks to address challenges that compliant operators encounter when doing business. OCAS is also geared towards addressing constraints such as border delays, duplications, high cost of doing business and other related challenges. The OCAS will therefore connect theSADC countries through a coherent and harmonized regulatory regime. It is envisaged that provision for operator incentives will promote high level compliance to regulatory requirements as the scheme suggests granting priority to the movement of compliant operators.

In addition to that, the Agency deemed it necessary to conduct a "State of Cross Border Operations" on an annual basis. For the year under review, focus was on three corridors, which are North South Corridor (NSC), Maputo Development Corridor (MDC) and the Trans Kalahari Corridor (TKC). This initiative seeks to proactively provide value-added advisory services to the Minister and other key stakeholders on developments in the cross border corridors and at the borders. The output of this exercise is the Annual State of Cross-Border Operations Report (ASCBOR) that identifies major constraints that negatively affects efficiency of the transport corridors, major trade and transport initiatives experienced in the region. The ASCBOR is not only limited to constraints but it also provides an overview on additional best practice models that were implemented successfully in other regions to address similar corridor constraints. Further to that, the report stipulates key recommendations on new trade and transport initiatives for implementation in the region. Some of the key recommendations proposed in the 2016/17 ASCBOR included; firstly the establishment of an autonomous regional regulatory body with the necessary authority to monitor and consistently enforce the implementation of regional agreements and resolutions, and secondly the prioritization of the establishment of "One Stop Border Posts" to address border inefficiencies which culminate in unnecessary delays and high costs of doing business. During the year under review, the Agency also developed country profiles for Malawi and Kingdom of Lesotho with the objective of providing relevant and up to date information to cross-border transport operators. The country profiles are used in empowering Small-Micro-Medium Enterprises (SMMEs) entering the relevant cross-border market by highlighting economic opportunities and developments that may affect cross-border road transport operations. These country profiles focused on the cross-border road transport and trade environments, opportunities and critical factors that have an impact on cross-border road transportation. Additional information such as the state of cross-border trade and transport industry, traffic volumes and the cross-border regulatory environment, are also captured in these country profiles. By furnishing information on business-related factors to the stakeholders in the public and private sectors in South Africa, it is anticipated that the stakeholders will have the right information for the purposes of future planning, overcoming challenges that may be experienced on key corridors and for daily operational work such as fleet scheduling in the case of transport operators. The direct impact of this will be an improvement in business operations, savings on time and costs leading to an improvement in productivity in their respective areas of business. This initiative is an indication of the Agency's efforts to fulfil its mandate to empower emerging businesses.

The Agency has put in place mechanisms for the operators to register constraints and conflicts and endeavour to resolve such within six months of reporting. During the 2016/17 financial year, the Agency resolved 83.33% of reported constraints within six months of reporting and 85.71% of reported conflicts.

The Agency also conducts law enforcement initiatives with a view to contributing towards greater compliance by the cross-border road transporters but also to promote road safety in the country and the region. Our Road Transport Inspectorate bowed out with a remarkable performance whereby it conducted a total of 272 247 inspections during 2016/17 financial year to monitor compliance with the CBRT Act and other road traffic laws. At the end of the year this unit migrated to the Road Traffic Management Corporation (RTMC) to fulfil the Constitutional imperative of establishing a single police service which is the National Traffic Police. The Agency acknowledges the commitment and impact they made in ensuring that cross border operators comply with the Cross Border Road Transport Act and other road laws.
The C-BRTA in line with the mandate of ensuring harmonisation of transport systems and equal treatment, undertook a comprehensive study of the cross border

charges applicable in all countries in SADC. A business case on the introduction of cross border charges was developed with the objective of addressing the plight of South African Operators plying various forms of trade across borders as they are subjected to a myriad of charges in foreign countries. Such charges are not applicable to the operators in those countries but rather to the South African operators, and that increases the cost of doing business and creating unfair competition since foreign vehicles conducting cross border operations in South Africa are not subjected to any charges other than those that the local operators are subjected to.

Strategic Relationships

The free-flowing transport along corridors that we aspire to achieve can only be achieved if we work in collaboration with other institutions that operate within the border precinct or have certain responsibility over cross border trade and transport. We appreciate the assistance we constantly receive from these institutions as we try to enhance cross border transportation through facilitation of unimpeded flow of transport.

Our strategy also compels us to constantly collaborate with stakeholders such as national departments, fellow regulatory agencies, provincial authorities, municipalities and metros as well as transport operators, in order to address operational constraints that are a challenge in cross-border road transport. In this vein, we continuously strive to collaborate with both domestic stakeholders and our regional counterparts. The Agency makes use of established fora like the Joint Route Management Group (JRMG), Joint Committees (JC), Operator Associations and other Stakeholder Consultative Fora.

There are other strategic relationships and structures that were specifically formed to address particular challenges, such as the a Task Team comprising of officials from the Department of Transport, C-BRTA, South African National Roads Agency (SANRAL), Road Accident Fund (RAF) and Road Traffic Management Corporation (RTMC) that was created to work specifically on the development and implementation of a new revenue stream that would ensure financial sustainability for the Agency. The Agency participated in the National Ministerial Task Team (NMTT) with a focus of resolving the Free State/ Kingdom of Lesotho impasse, The NMTT, consists of representatives from the Department of Transport; the Free State Department of Police, Roads and Transport and the Kingdom of Lesotho Ministry of Public Works and Transport. The Provinces of KwaZulu-Natal and the Eastern Cape are also represented in the NMTT.

Challenges faced by the Board

The cross border industry challenges varies as the economic landscape fluctuates and this poses challenges to the regulatory function of the Agency. The year 2016/17 also had its share of regulatory related and financial challenges. The issuance of passenger operations permit for the Free State/Kingdom of Lesotho corridor remained a regulatory challenge. The said impasse started in 1999 and to date has been a challenge that affects and impedes normal passenger cross border movements on the RSA/ Kingdom of Lesotho route. The Minister of Transport established a National Ministerial Task Team (NMTT) tasked with the responsibility of developing a lasting solution to the impasse and this Task Team is currently working on a Programme of Action. The matter has since been presented to the SADC Secretariat which is aiding with the facilitation of developing a lasting solution in line with the SADC Protocol on Transport, Communications and Meteorology.

The Agency remained in a state of “technical insolvency” that resulted from losing the Constitutional Court matter in 2015. To respond to the situation, a Turnaround Plan was developed with a number of initiatives intended to stabilising the financial sustainability of the Agency in the short and long term. Implementation of the Turnaround Plan started in the first quarter of the financial year 2016/17 and it was monitored on a quarterly basis to ensure sustainable funding of the operations of the C-BRTA, whilst servicing the obligation to cross-border operators.

The Board was faced with challenges resulting in non-achievement of six (6) of the eighteen (18) planned targets. Two targets relating to the introduction of cross border charges as a revenue stream could not be achieved as the Agency had to ensure buy-in of the Department of Transport as well as the need to consult with various stakeholders. A Task Team was established comprising of the officials from the C-BRTA, Department of Transport and SANRAL to oversee the project of implementing the cross border charges. The target for piloting the market

3. Foreword by the Chairperson (cont.)

access regulation tool in three (3) countries, Zimbabwe, Zambia and Malawi was also not achieved as passenger transport is liberalized in Zambia and the national policy on routing was not yet approved. A new approach was adopted on the development of a new permit system and the implementation of culture survey, resulting in these targets not being achieved.

Medium to long-term goals of the C-BRTA

In view of the Agency's reliance on co-operation with other institutions within the region, focus in the Medium Term Strategic Framework (MTSF) will be given to building relations with both primary and secondary stakeholders in order to achieve the aspired state of free-flowing transport along corridors. Priorities in 2017/18 entail developmentof the Linking-Africa Plan, which is a stakeholder management model that will serve as a foundation to promote regional integration as well as facilitation of the implementation of the SADC protocol and regional agreements which are essentially preconditions for regional integration.

The Agency will continue to compile the Annual State of Cross Border Operations Reports and country profiles, with the goal of provision of advisory services provided to the Minister of Transport and other stakeholders on cross border matters. Further to that, a model to calculate transit and cost of delays at commercial border posts will be developed to assist the sector to incrementally reduce the cost of doing business for the operators.

Compliance with road transport legislation is of high importance in the cross border industry. For that reason, the development of Operator Compliance Accreditation Scheme will continue to be a priority area. Coupled with that will be compilation of operator and corridor profiling reports that will assist in identifying good operators and reward them accordingly. In the case of enhanced regulatory services, in 2017/18 there will be continued assessment of pilot outcomes against the pre-determined objectives of increasing value for both the transport operators and passengers through improved sustainability, dependability and reliability of the transport services. For the sake of securing buy-in from counter-parts, consultations with other counterparts will also be continued.

In the advent of a growing cross border transportation demand, there is equally a need for improved performance that will meet the expected standards and guarantee the necessary support. Records show that the number of operators or rather permits issued has grown by an average of 11.8% annually. This implies that the Agency also needs to upgrade its business systems and information technology in order to fulfil its quest for enhanced value-add for operators. For 2017/18, the Agency will continue with development and implementation of a cross border management system as well as to increase the number of temporary permits issued within a specified turnaround times.

In an effort to transform the industry, the Agency will develop an industry development strategy which will be implemented from 2018/19 and beyond. Transformation in the business industry and the empowerment of emerging entrepreneurs provides an opportunity for the Agency to identify and develop a means that will effect a significant contribution in that space.

Conclusion

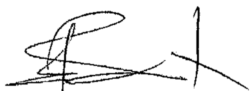
Although the Agency is continually making progress in stakeholder engagement, there is an appreciation of the need for an improved and robust approach to stakeholder engagement strategy through its Linking Africa Plan due for implementation in 2017/18. The Agency will, through the Linking Africa Plan continue to support the SADC region in advocating for a single permit in the region.

Acknowledgements

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

We are further looking forward to working with and supporting the current Minister of Transport, Mr Joe Maswanganyi.

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



Mr M Ramathe
Chairperson of the Board
28 July 2017

4. Chief Executive Officer's Overview

Introduction

"Without transport, there can be no trade. Without trade, there can be no meaningful industrialisation. And without industrialisation, African economies cannot be transformed and meaningfully diversified because there is no sufficient buying power inherent in the African continent itself"
-- By Sipho G. Khumalo (2016)

I am humbled to present the Cross-Border Road Transport Agency's (C-BRTA's) Annual Report, providing financial and performance results for the 2016/17 financial year in line with the Annual Report Guide for schedule 3A and 3C public entities as issued by the National Treasury.

General financial review

With the Constitutional Court judgement of 12 May 2015 declaring the 2011 permit tariff invalid, a liability of R356 million relating to operator refunds was created in the Agency's financial books. By the end of March 2017, an amount of R130 million had been paid to operators.

A Turnaround Plan was developed after the request for financial assistance to the National Treasury was not successful. The vigorous implementation of the turnaround plan has ensured business continuity and sustainability of operations while servicing the debt.

The financial position has improved in the last two financial years with the excess of liabilities over assets reducing from R255 million as of March 2015 to R220 million as at March 2016 and down to R181 million as at 31 March 2017.

In the year under review, permit revenue went up by 3% from R190,9 million in the previous year to R196,3 million but was 2% short of the budget. The penalty revenue went down by 20% to R25,4 million, compared to the same period last year which was at R31,9 million and also recorded a negative variance of 30% from the budgeted figure due to lower prosecutions during the period under review.

The Agency realised R7,7 million through negotiations with operators on five (5) year permits that were recognised as revenue. This compares favourably with last year's R1,3 million. Overall, a surplus of revenue over expenditure of R38,8 million is reported.

Engagements took place with the Shareholder Department for support to activate and implement the proposed revenue streams. Meetings between the delegations of the Agency and the Department took place during the financial year and a task team was established to execute the project of the levying of cross-border charges. The task team comprises of representatives from the DoT, C-BRTA and SANRAL. A project plan was developed for planned consultations with various stakeholders including the Department of Trade & Industry, Department of Tourism, South African Revenue Services, National Treasury and the Department of International Relations and Cooperation.

It is envisaged that by levying cross-border charges, the country will be moving towards the following:

- harmonising the regulatory framework with the rest of SADC as enshrined in the SADC Protocol;
- enabling strategic interventions to be implemented with a view to improve the overall cross-border road transport regulatory and operational environments;
- reducing the cost of doing business for South African cross-border road transport operators; and
- Reducing funding shortfalls and generally improve the performance of the industry towards attainment of the objectives of the National Development Plan.

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

Spending trends of the public entity

The Agency witnessed a total under-expenditure of R41, 4 million, this has been due to savings on all expenditure categories i.e. staff costs, operating costs for goods and services as well as charges for depreciation. The latter is especially due to under-expenditure on the capital budget as well as changes in accounting estimates for some asset categories.

Capacity constraints and challenges

The capacity of the Agency to deliver on its mandate was negatively impacted by the cost containment measures put in place as an intervention to deal with the operator refund liability.

The regulation of passenger cross-border operations between South Africa and the Kingdom of Lesotho remained a challenge in the year under review. The Ministers of Transport of the two respective countries set up a Ministerial Task Team (MTT) which included the Free State Department of Police, Roads and Transport, Provinces of KwaZulu-Natal and the Eastern Cape Provinces. The MTT's mandate is to develop and deploy a sound solution to restore harmonious cross border passenger movements between South Africa and Kingdom of Lesotho.

In the year under review, a consultative meeting between the SADC Secretariat and the two Ministers responsible for Transport was held in Gaborone, Botswana. The meeting came as a response to the petition for SADC's intervention on the resolution of the impasse. The petition was submitted by the associations involved in the cross-border passenger transport operations from Kingdom of Lesotho and South Africa. The purpose of the consultative meeting was, therefore, to provide a comprehensive report on the findings and resolutions on the long-standing impasse regarding cross-border passenger transport operations between the two Member States. Officials from both member states presented on the status of implementation of the Joint Report on the Cross-Border Passenger Transport Implementation Impasse between the two countries.

The Road Map to resolve the Cross-Border Passenger Transport Implementation Impasse was approved. After deliberations, the SADC Secretariat indicated that:

- They were of the view that it will be premature for SADC to intervene on the basis that intervention requires that both countries agree on the intervention;
- SADC will avail their resources in order to assist with a way forward even if this meant that their resources attend the meeting of both the countries or those of the Task Teams;
- Countries are urged to familiarise themselves with the SADC Treaty and read it in conjunction with the SADC Protocol in order to avoid misunderstandings in interpreting the two documents; and
- Both countries were urged to consider concluding Bi-lateral Agreements that would be specific in terms of conditions under which they operate on cross-border operations.

The consultative meeting also resolved that:

- The Kingdom of Lesotho shall consider the proposals (both the temporary and permanent) presented by South Africa and for the Task Team to convene within two (2) weeks;
- The SADC Secretariat be invited to both the country meetings and to the Task Team meetings; and
- A draft program of Action be developed and implemented.

The South African temporary proposal termed "tipa-tipa" was also presented to the operators. This solution proposes that both cross-border operators and Inter-Provincial operators as well as the Kingdom of Lesotho operators load passengers from the departure points, offload them to their destination points and return empty back to their respective departure points. This would allow a situation, in the interim, where all the operators share equally in the market.

Discontinued activities

No activities were discontinued in the 2016/17 financial year.

The project on Migration of the C-BRTA law enforcement function into the single traffic police service under the command of the Road Traffic Management Corporation (RTMC) was completed on the 31st March with the officers effectively being transferred from the 1st April 2017.

New or proposed activities

- **A refocused Agency**
  The end of the 2016-17 financial year marked the completion of the approved refocused organisational structure. As a result of the Law Enforcement function migration to Road Traffic Management Cooperation's (RTMC), the Agency needed to revise its organizational structure in order to redefine core functions, cater for other functions and realign its approach to service delivery environment through the Linking Africa Plan. The Linking Africa Plan is a plan for integrating Africa through transport, trade, and mutual respect and shared benefits for all Africans. From the 2017-18 financial year, we will accelerate our efforts on influencing stakeholders through the Linking Africa Transport Plan.

- **To proactively promote transformation and development of the cross-border industry**
  The 2017/18 financial year will see a refocused approach to the regulation of the cross-border industry to address historical imbalances in the industry. This is in line with South Africa's development agenda.

Supply Chain Management

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

As demanded by the National Development Plan, the Agency ensures that a significant amount of its procurement spend goes to Broad-Based Black Economic Empowerment (B-BBEE) compliant companies.

Reflecting on Past Performance

In the year under review, the Agency achieved 67% on Pre-Determined Objectives, representing achievement of 12 targets out of the 18 planned for the year.

I also wish to highlight the following achievements:

- The C-BRTA Road Transport Inspectorate function was successfully migrated to the Road Traffic Management Corporation (RTMC). This migration was geared to respond to government's move towards creating a single traffic law enforcement service. The successful migration of the law enforcement function will enable the Agency to focus on its regulatory and advisory services in a more efficient and effective manner. The Agency has put in place mitigation plans to ensure that compliance with the cross border Act is not negatively impacted by the migration;
- Fraud and corruption initiatives were implemented to combat fraud and corruption in line with the National Development Plan on zero tolerance on fraud and corruption;
- A National Feasibility Assessment was conducted on the Operator Compliance Accreditation Scheme (OCAS). OCAS is a scheme that seeks to address constraints faced by cross-border road transport operators, including delays, duplications, lack of harmonization, high costs of doing business. The approved National Feasibility Study for OCAS in 2016-17 is a prelude to the implementation of OCAS and a possibility for the Agency to make a positive impact in the cross-border industry. The implementation of OCAS will enable South Africa to achieve key objectives set in the National Development Plan and goals of the national road transport policy and strategic frameworks;
- 272 247 inspections were conducted by the Road Transport Inspectorate, constituting a 16% increase from the previous year. These inspections are conducted with a view to promote road safety and compliance;
- Four (4) Law enforcement Section 39 (2) reports were produced to aid decision making and intelligent law enforcement operations;
- 83.33% of operator constraints were resolved as part of the Agency's contribution to addressing constraints and barriers experienced by passenger and freight operators on various corridors while conducting cross-border business. ;
- 85.71% passenger conflicts were addressed during the period under review, thereby removing entry barriers to the passenger cross border market and mitigating passenger's exposure to danger. Some of the barriers to enter the market relates to either association objecting applications or refusing to grant recommendation letters to their members. The conflicts are commonly reported by taxi operators who often complain about the operations of other cross-border stakeholders that impact negatively on their business;

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

- Seven (7) stakeholder forums were conducted dealing with various issues affecting the cross border operations. The main purpose for holding stakeholder forums is to build sound relationships with and create value for the stakeholders. These consultations assist the Agency in understanding and responding strategically to the stakeholder needs;
- A State of Cross Border Operations was conducted and the report (Annual State of Cross Border Operations Report – ASCBOR) developed and submitted to the Minister of Transport and posted on the Agency's website for other stakeholders. The report focuses on a number of themes, but key to these are as follows:
  - Assessment of road transport corridors;
  - Role played by transport and development corridors in promoting economic growth and development;
  - Analysis of focus corridors (NSC, MDC and TKC) traversing the SADC region;
  - Importance of border posts in optimising corridor efficiency;
  - Overview of corridor and border post governance in the SADC; and
  - Progress made towards implementing trade and transport facilitation reforms in the SADC region.

The ASCBOR also has recommendations and action plans for prioritised reforms to be undertaken by various role players to enhance the unimpeded flow of cross-border road transport movements.

- Two country profiles for Malawi and Kingdom of Lesotho were developed. The Country Profiles seek to disseminate information useful to key stakeholders in the cross-border road transport environment, particularly cross-border road transport operators, regulatory authorities and trading parties with interest in Malawi and Kingdom of Lesotho. The information is intended to support informed decision making and identify opportunities for stakeholders. Amongst others aspects covered on the profiles is the overview of the country, the economic outlook and the road transport environment. Some of the opportunities identified in the country profile for Kingdom of Lesotho are around the booming tourism industry. The research for the Malawi country profile identified the minerals export markets as an opportunity for maximising return loads;
- Customer satisfaction surveys were conducted with passenger operators and freight operators respectively and customer satisfaction level of 72.06% was obtained from passenger and freight operators; and
- Seven (7) papers were presented at different transport conferences to share knowledge and information whilst ienhancing the C-BRTA's visibility.

Over and above the APP achievements, 84 598 cross-border permits were issued to facilitate the movement of goods and passengers in the region constituting 11.8% increase against the targeted 76 000 permits.

The year was also met with delivery challenges; hence targets that were set for six (6) indicators were not achieved. The key challenge that had a negative impact on some of the indicators is a high dependency on external stakeholders. The Agency was unable to steer the projects at a desired speed and direction that would ensure achievement of targets. The indicators six (6) indicators are as follows:

- Introduction of cross border user charges as a revenue stream;
- Development of a legislative proposal for the activation of the cross border user charges as a new revenue stream;
- Implementation and refinement of scientific tool (Market Access Regulation tool).
- Percentage improvement in organisational culture;
- Developed and implemented new business system; and
- Upgraded Technology platforms;

The outlook for the C-BRTA will not just be setting targets that have external dependencies, but finding different delivery models to achieve the desired goals.

The mandate of the Agency directly responds to the need to promote regional integration and trade. To this end, the Agency continued to support and participate in the development and implementation of various domestic and regional interventions meant to facilitate seamless cross-border road transport movements in corridors and border posts, particularly those that are focused on improving border post performance, improving and harmonising regulatory frameworks and standards, and enhancing transport market liberalisation.

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

To improve internal controls and good corporate governance, the Agency implemented and completed 94% of recommendations made by the Auditor-General of South Africa. The remaining 6% are in progress and relate to activities under Information Technology. Mitigating controls are in place while pursuing permanent solutions.

In relation to the 2016/17 internal audit findings, 76% were completed with 24% being in progress at the end of the year under review. We remain resilient and committed to improving internal controls with the aim of maintaining a clean administration.

Plans for the future to address financial challenges

To ensure on-going financial viability, the C-BRTA will continue to implement cost containment measures and pursue the introduction of the cross-border charges as an additional revenue stream.

Events after the reporting date

The Agency law enforcement function was transferred to the RTMC effective from the 1st April 2017. This is in response to the 2015 National Road Safety Summit resolution and the imperative of establishing a single traffic police service within the transport sector.

In support of the C-BRTA's mandate and to ensure continuation of the Cross Border law enforcement function, the Agency transferred one hundred and thirty eight (138) employees to the RTMC.

Economic Viability

The C-BRTA will continue to exercise prudent financial and cash flow management measures to mitigate significant financial risks and guarantee continued economic viability to be a going concern public entity.

Acknowledgements

I would like to welcome the new Minister of Transport, Mr Joe Maswanganyi to this broad sector and assure the Minister of our support in moving South Africa forward.
I wish to express my sincere appreciation for the support and guidance from the former Minister of Transport, Mme Dipuo Peters, Deputy Minister of Transport, umama, uSindisiwe Chikunga and Acting Director-General of Transport, Mr Mathabatha Mokonyama.

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

Appreciation also goes to the Members of the Board of the C-BRTA for their direction and leadership during this period.

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

In honor of a great stalwart of South Africa's liberation movement and as we commemorate this great leader of our time, I am inspired by the words of OR Tambo which encourage us to do more for the economic emancipation of black people, "Racial discrimination, South Africa's economic power, it's oppression and exploitation of all black people, are part and parcel of the same thing'.

I am confident that the C-BRTA will continue to rise to the challenge of contributing to the economic transformation of South Africa and deliver on its mandate.

Mr SG Khumalo
Chief Executive Officer
28 July 2017

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

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

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the AGSA.

The annual report is complete, accurate and is free from any significant omissions. It has been prepared in accordance with the guidelines on the annual report as issued by National Treasury. The Annual Financial Statements (Part E) have been prepared in accordance with the Standards of Generally Recognised Accounting Practise (GRAP), including any interpretations, guidelines and directions issued by the Accounting Standards Board.

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

The AGSA is engaged to express an independent opinion on the Annual Financial Statements.
In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the C-BRTA for the financial year ended 31 March 2017.

Yours faithfully

Mr SG Khumalo
Chief Executive Officer
28 July 2017

Mr Ramathe
Chairperson of the Board
28 July 2017

6. Strategic Overview

6.1. Vision

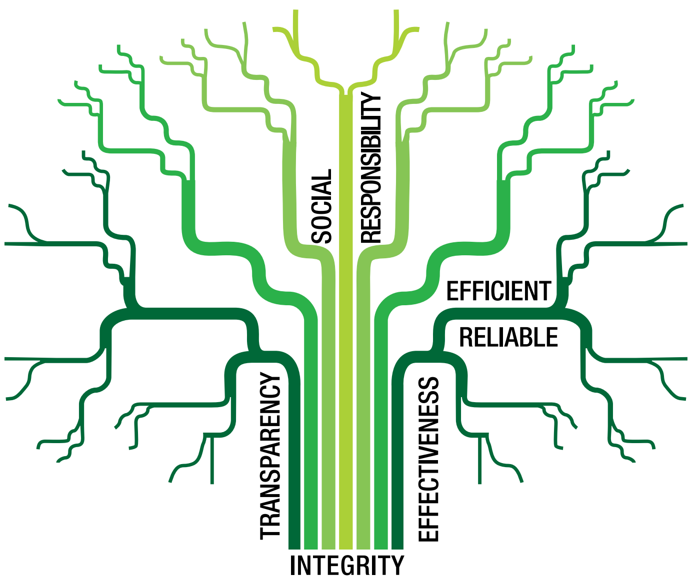
The champion of free-flowing inter-state operations.

6.2. Mission

We spearhead the unimpeded flow of inter-state operations thereby facilitating sustainable social and economic development.

6.3. Values

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



- **Integrity -** we are professional, honest, fair and do not tolerate crime, fraud and corruption
- **Transparency -** we are open and accountable in our interactions with our stakeholders and staff
- **Reliability -** we are dependable, trustworthy and value our customers
- **Efficiency -** we are innovative and passionate about performance
- **Effectiveness -** we achieve our set goals and objectives with desired outcomes
- **Social responsibility -** we seek to contribute towards the greater good of our country and continent by supporting social development and economic growth

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

6.4. Strategic Objectives

To improve its business processes, the C-BRTA adopted the following strategic goals and objectives;

Table 1: C-BRTA Strategic Objectives

STRATEGIC GOALS		STRATEGIC OBJECTIVES
Facilitate unimpeded flow of cross-border transport	1.	To introduce and implement regulated competition of cross border movements
	2.	To proactively provide value-added advisory services to the Minister of Transport and other relevant stakeholders on cross border matters in the transport sector
Promote regional integration	3.	To establish and sustain strategic partnerships with stakeholders so as to enable the Agency to achieve its objectives
	4.	To promote the C-BRTA's reputation
Promote safe and reliable cross-border transport	5.	To improve compliance with road transport legislation
	6.	To position the C-BRTA brand to ensure visibility and awareness
Strategic positioning to enhance organisational sustainability	7.	To ensure financial viability and sustainability of the C-BRTA
Enhance organisational performance	8.	To develop, implement and sustain a high performance culture in the organisation
	9.	To prevent fraud and corruption
	10.	Integration of ICT systems

7. Legislative and other Mandates

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

7.1. Constitutional Mandate

In the execution of the Agency's functions and in line with its 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; and
- Sections 231: International agreements.

7.2. Legislative and Policy Mandates

7.2.1 Cross-Border Road Transport Act, 4 of 1998

The Agency was established in terms of the Cross-Border Road Transport Act, 4 of 1998, as amended and places the following key responsibilities on the Agency:

- Improve the unimpeded transport flow by road of freight and passengers in the region;
- Liberalise market access progressively in respect of cross-border freight road transport;
- Introduce regulated competition in respect of cross-border passenger road transport 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.

  The function relating to cross border road transport law enforcement has been transferred to the RTMC and this mandate will be pursed through collaborative work between the two entities.

7.2.2 National Land Transport Act (NLTA), 5 of 2009

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

7.2.3 National Road Traffic Act (NRTA), 93 of 1996

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

7.2.4 Tourism Act, 3, of 2014

The Tourism Act provides for the development and promotion of sustainable tourism for the benefit of the Republic, its residents and its visitors.

The Agency has the mandate to conduct law enforcement in regard to compliance to road traffic regulations in the tourism sector.

7.3 Policy Mandates

<table>
<tr><th>POLICY MANDATE</th><th>KEY ALIGNMENTS</th></tr>
<tr><td>National Development Plan (NDP)</td><td>The Agency is responsible to contribute towards the achievement of the following:
CHAPTER 7: POSITIONING SOUTH AFRICA IN THE WORLD
Objectives:
• Intra-regional trade in Southern Africa should increase from 7% to 25% of trade by 2030.
• South Africa's trade with its regional neighbours should increase from 5% of our trade to 30%.
Action:
• Implement a focused regional integration strategy with emphasis on: Road, rail and port infrastructure in the region.
• Reduce red tape, corruption and delays at border posts.

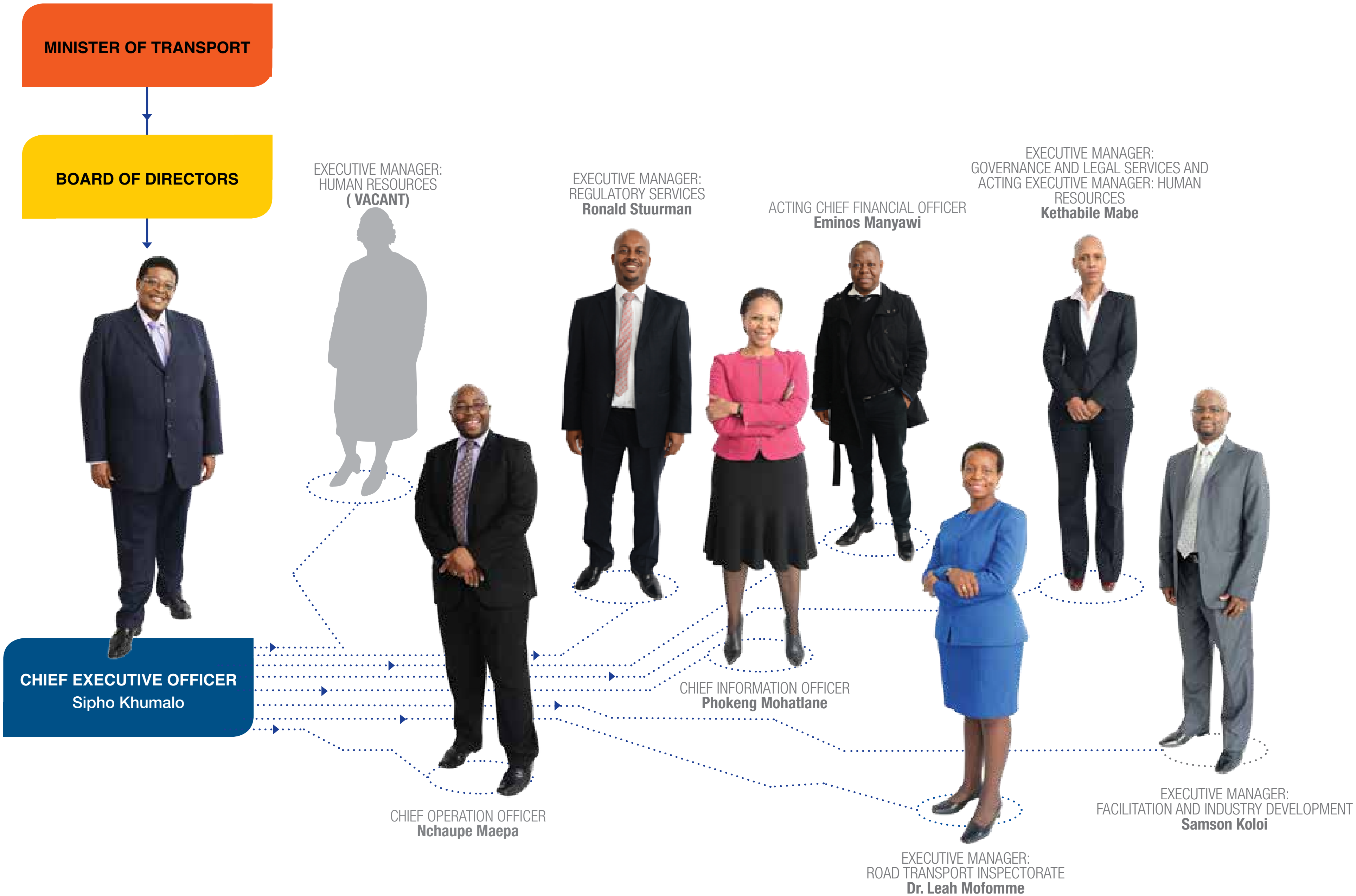
CHAPTER 13: BUILDING A CAPABLE STATE
Objectives:
• Staff at all levels have the authority, experience, competence and support they need to do their jobs.
• Relations between national, provincial and local government are improved through a more proactive approach to managing the intergovernmental system.
• Clear governance structures and stable leadership enable state-owned enterprises (SOEs) to achieve their developmental potential.
Action:
• Use assessment mechanisms such as exams, group exercises and competency tests to build confidence in recruitment systems.
• Use placements and secondments to enable staff to acquire the experience of working in other spheres of government.
• Take a more proactive approach to resolving coordination problems and a more long-term approach to building capacity.
• Adopt a less hierarchical approach to coordination so that routine issues can be dealt with on a day-to-day basis between mid-level officials. Use the cluster system to focus on strategic cross-cutting issues and the Presidency to bring different parties together when coordination breaks down.
• Develop public interest mandates for SOEs. Improve coordination between policy and shareholder ministries by making them jointly responsible for appointing the board. Ensure appointment processes are credible and that there is greater stability in appointments.

CHAPTER 14: FIGHTING CORRUPTION
Objective:
A corruption-free society, a high adherence to ethics throughout society and a government that is accountable to its people.
Action:
• An accountability framework should be developed linking the liability of individual public servants to their responsibilities in proportion to their seniority.
• Clear rules restricting business interests of public servants should be developed.
• Corruption in the private sector is reported on and monitored by an agency similar to the Public Protector.
• Restraint-of-trade agreements for senior civil servants and politicians at all levels of government.
• All corrupt officials should be made individually liable for all losses incurred as a result of their corrupt actions.</td></tr>
</table>

POLICY MANDATE	KEY ALIGNMENTS
SACU MoU	Provides for facilitation and maintenance of effective road transport arrangements, and in particular equitable shares in road transportation with a view to supporting trade in the Customs Union. The C-BRTA in this regard works towards a common goal of improving cross border road transport operations with a view to improving the sector.
Trans Kalahari Corridor (TKC) MoU	Provides for the 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 transportation. Improving the efficiency of transportation is brought about by the reduction of constraints and bottlenecks whilst at the same time reducing externalities, improving market access and improving productivity.
International convention on the harmonisation of frontier controls of goods, of 1982,	Designed to enhance the harmonisation and facilitation of efficient road transport movements.
Convention on road traffic, of 1968	Provides for facilitation of road traffic and increasing road safety through the adoption of uniform road traffic rules.

8. Organisational Structure

The illustration below is the structure that was in place during the reporting year.



9. Board Members

Mr Mosoeunyane Ramathe
Chairperson of the Board

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

Prof Jan Havenga
Deputy Chairperson of the Board

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

Ms Ignatia Sekonyela
Board member

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

Ms Keitumetse Mahlangu
Board member

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

Mr Dennis Baloyi
Board member

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

Mr Lucky Thekisho
Board member

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

9. Board Members (cont.)

Mr Moses Scott
Board member

Formal Qualifications
- Teachers Diploma, Rand Teachers College

Ms Maleho Nkomo (resigned in November 2016)
former Deputy Chairperson

Formal Qualifications
- MCom Organizational Strategy, University of KwaZulu-Natal
- BCom (Hons), UNISA
- BCom, UNISA
- Senior Executive Programme, Harvard University (USA)

Ms Pamela Pokane (resigned in November 2016)
former Chairperson

Formal Qualifications
- Post Graduate Diploma in Management (Wits)
- Social Science, Urban Development Studies, York University in Toronto, Canada

Mr Trevor Bailey (retired in June 2016)
Board member

Formal Qualifications
- Master of Law *(cum laude)* [Alternate Dispute Resolution, Constitutional and International Human Rights Law]
- BA Law, University of Kwa Zulu-Natal
- BA, University of Kwa Zulu-Natal

Mr Sinethemba Mngqibisa
Department of Transport Representative

Formal Qualifications
- Postgraduate Diploma in Transport Management, RAU
- BCom (Hons) Trasport Economics, UNISA
- BCom, UNISA
- National Diploma in Medical Technology (Clinical Pathology, Edendale Technical Institute
- National Diploma in Medical Technology (Medical Microbiology), Edendale Technical Institute

Mr Sipho Khumalo
Chief Executive Officer

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

PART B

PERFORMANCE INFORMATION

1. Auditor's Report: Pre-determined Objectives

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

Refer to page 71 of the Auditors Report that is published as Part E: Financial Information.

2. Situational Analysis

2.1. Service Delivery Environment

The C-BRTA like most institutions is highly affected by the environment within which it operates. The dynamics with respect to politics, economy, social and legal matters have a direct impact on the outputs of the Agency. 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.

Politically, the Agency's outputs are adversely affected by the lack of political will from some of the member states to implement bi-lateral and multi-lateral agreements thus subjecting cross border operators to unfair business practices. The anticipated conclusion of the consolidated text of the treaty of the SADC 2015 will provide stepping stones for regional cross border operations. Political instability in some regional countries (e.g. Zimbabwe), also affects cross-border operations, sustainable programme implementation and administration. These have a negative impact and manifests in among other things, delayed review of agreements, harmonisation of operating procedures and legislative frameworks, review of major policies, project roll-out as well as demand and supply of cross border transport services.

Economically, poor inter-regional trade has a negative impact on the cross border road industry and attraction of foreign investments. An assessment of intra-regional trade flows conducted during the year under review indicates higher exports and imports between South Africa and other SADC member states. Intra-regional trade of African trade amongst African countries is approximately 12%, as compared to 40% trade amongst the North American countries and 63% of Western European countries. The notion of Africans investing in Africa is a growing and positive trend across the continent, exemplified by highly competitive players from retail and fast-moving consumer goods to financial services and real estate. Meanwhile, the lack of harmonisation of regulatory instruments, operating procedures and standards in the region has a potential to continue increasing the cost of doing business for cross border transport operators.

The cost of doing transportation business cannot be ignored. Trade is impeded by higher costs resulting from complex domestic regulation, insufficient productive capacity and relatively weak infrastructure connectivity that do not allow Africa to benefit from geographical proximity. This has direct impact on the sustainability of operators businesses; hence the C-BRTA remains cognisant and concerned about customer needs that include reduced time spent waiting in a queue at the borders and frequency of being stopped for law enforcement along the transport corridor which contributes significantly to the high cost of doing business. Such include the introduction of trade barriers such as strict validation measures, surcharge such as Zimbabwean consignment-based conformity assessment programme and the "ban of certain imports" which impact intra-regional trade.

Current economic challenges have a direct impact on the Agency's core business of permit issuance. The nature of conflicts reported in relation to passenger transportation bears testimony to the fact that the environment is slowly getting saturated and therefore calls for improved mechanisms as well new business approaches by the operators. Management executed an audit on the Botswana, Mozambique, Namibia, Swaziland and Zimbabwe routes to assess the operating status on different transport regulatory systems. The audit results necessitates that the Agency therefore redefines its approach and put more emphasis on regulating the cross-border industry. This might necessitate amendments on the mandate as articulated in the C-BRT Act for the implementation of some initiatives/ interventions.

The Agency continued to collaborate with key role players in the border and corridor environment to enhance service offerings. The Agency conducted research like the Annual State of Cross Border Operations and compiled country profiles for purposes of providing relevant and up-to-date information to our stakeholders. The Agency continued with its flagship project of Operator Compliance Accreditation Scheme (OCAS) and a national feasibility on implementation the scheme was conducted. This serves as a prelude to a much needed mechanism towards realisation of an unimpeded flow, safe and reliable cross border transportation.

Legally, the out-dated bi-lateral agreements require review in order to capacitate regulatory authorities to deliver on their respective mandates in line with policy directives. The lack of harmonisation of regulatory instruments, operating procedures and standards in the region is a non-tariff barrier to operators that affects the effectiveness and efficiency of the regulatory environment with regard to industry regulation. There is also a disharmony between national and regional legislative environment which complicates the administration and regulation of the cross-border road transport sector. A collaborated approach, where domestic and regional stakeholders are engaged remains key to unlocking the regional potential.

2.2. Organisational Environment

The Agency has in place sound governance structures; regional thought-leadership on Cross-Border matters and efficient centralized issuing of permits. In addition to that, the Agency is also positioned to deal with matters pertaining to identification of mechanisms and contributing towards policy enhancement as it has expert skills in relation to cross-border subject matters.

The biggest challenge that the Agency faced in relation to service delivery was with regard to its state of technical insolvency that resulted from a Constitutional Court ruling in May 2015. The Concourt ruled in favour of operators on the 2011 permit tariff regulation. This implied that R318 million be refunded to the operators. Given that the Agency has been self-funding since its establishment in 1998, primarily through the levying of fees for the issuing of cross-border permits, this ruling impacted negatively on the revenue base of the Agency. The liability also threatened the already unsustainable nature of revenue streams and therefore created uncertainty regarding the Agency's ability to remain a going concern. The liability further called for operating with minimal costs and that was applied across programmes through a turn-around strategy that was specifically developed to ensure that the organisation survive the impact of the court ruling.

Implementation of the turn-around plan has seen the Agency applying a moratorium on appointments of needed skills that would benefit and improve the service delivery environment as well as to minimise costs on programmes that would take its value-add for operators to another level. The Agency achieved the migration of Road Transport Inspectorate Unit to the RTMC as a response to the 2015 National Road Safety Summit that resolved to establish a Single National Traffic Police Service within the transport sector. The migration will also have the impact of reducing number of employees in the Agency, and thereby improving its financial sustainability.

Despite advances in technological environment, the Agency is still characterised with disintegrated and out-dated IT infrastructure, mainly as a result of its legacy system that is built on old technology. This system stifles internal delivery mechanisms and impedes cross functional teamwork through creation of silo approach to operations. There is however cognisance of the fact that the Agency needs to catch up with emerging trends because the digital economy has increased cross border transactions making it easier for multinational to exist and operate in multiple countries to creating virtual borders. In 2016/17 the Agency focused on optimisation of technology and efforts were made to migrate to a modern technology.

The Agency also continued with its collaborative efforts and worked with various governments departments and SADC member states. The Joint Committees and Joint Route Management Committee were held to deal with operator concerns.

The Agency is confident that with the support of the shareholder and through engagements with relevant stakeholders, the identified threats will be handled through its risk management strategy. These threats include among others the following:

- Ineffective border management & governance systems
- Lack of systems process integration across the value chain
- Poor layout and configuration of border infrastructure
- Dissatisfied freight transport industry
- Quality regulation threatening the current revenue stream
- Unsustainable funding model
- Lack of regional political will, with regards to harmonisation
- Possible spill-over of the Kingdom of Lesotho/Free State challenge
- Lack of alignment of legislation within transport

2.3. Key Policy Developments and Legislative Changes

There were no changes to the relevant policies and legislation that affected the operations of the Agency during the reporting period.

2.4. Strategic Outcome Oriented Goals

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

- **Strategic Goal 01 – Facilitate unimpeded flow of cross-border transport**
  The Agency is committed to improvement of regulatory mechanisms and practices hence efforts were made to pilot the Market Access Regulation tool for balancing demand and supply within the passenger transport space. The tool was piloted in Zimbabwe and Malawi, bringing the Agency closer to realising its objective of regulated competition.

  With the objective of regulating competition, were plans to draft a legislative proposal on comprehensive levying of cross border charges. The legislation was delayed pending consultations with various stakeholders on the introduction of cross border charges. Success in levying of cross border charges will imply fair treatment of operators doing business across SADC.

  The Agency remains committed to enhancing compliance to transport legislation that encompasses road safety. To drive this objective home, a number of activities were successfully undertaken with a purpose of increasing the level of compliance. This included increasing the number of inspections conducted and profiling of non-compliant operators.

  Key to effecting a significant contribution towards improvement of regulatory policies and alleviation of constraints, the Minister of Transport and other relevant stakeholders were provided with information that can be used for informed decision making. In that regard, an Annual State of Cross Border Operations Report (ASCBOR) was compiled as well as country profiles for the Kingdom of Lesotho and Malawi. The country profiles serve as a means for empowering emerging transport operators which is fundamental to transformation of the sector and enables South African operators to tap into the regional market.

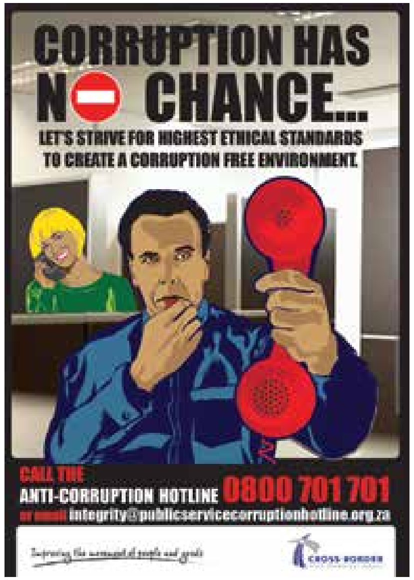
- **Strategic Goal 02 – Promote safe and reliable cross-border transport**
  Increased compliance will automatically result in a high impact on road safety which is currently a big concern in the region. The Agency continued to demonstrate its commitment to promoting safe and reliable transport through increasing the number of inspections and documenting intelligent reports that assist the Board in improving the regulation of the cross border industry.

- **Strategic Goal 03 – Promote regional integration**
  The Agency is committed to its operator-focused strategy and therefore, special focus was given to all initiatives that are geared to strengthen relations with various stakeholders that have roles to play in ensuring smooth cross border operations. The unimpeded flow of traffic will be fully achieved through integration of systems within the SADC region. It's for that reason the Agency continues to engage at various levels including operator's route committees, forum meetings, Joint Route Committee Meetings, Joint Committee meetings and Stakeholder Consultative Forum.

- **Strategic Goal 04 – Strategic positioning to enhance organisational sustainability**
  The Agency continues to identify mechanisms that can boost its financial viability and sustainability. Although it could not implement an additional revenue stream during 2016/17, it continued to pursue the introduction of cross border charges as a potential revenue stream and the stream is still under discussion with the Department of Transport. The Agency developed and implemented a turnaround strategy to sail through its state of technical-insolvency and continued to operate as a going-concern while also pursing long term initiatives that will boost its sustainability.

- **Strategic Goal 05 – Enhance organisational performance**
  The roll-out of Fraud and Corruption programmes is evidence of continued efforts towards instilling good conduct and rooting out any practices that may sabotage realisation of a high performance culture.

  The efforts made in 2016/17 towards technology optimisation are a build-up towards the desired ICT system and will make a significant difference to various aspects needed for improved service delivery.



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: Administration
- Human Resources Management
- Finance and Supply Chain Management (SCM)
- Chief Information Office (CIO)
- Governance and Legal Services

Programme 2: Regulatory Services
Programme 3: Road Transport Inspectorate
Programme 4: Facilitation and Industry Development
Programme 5: Office of the Chief Executive Officer

This section outlines the C-BRTA's performance for the financial year 2016/17.

The Agency's overall achievement of its predetermined objectives for the 2016/17 financial year is 66.67% representing twelve (12) out of eighteen (18) performance indicators.

The 66, 67% achievement is a representation of successful implementation of the following indicators;

NO.	INDICATOR	ANNUAL TARGET	ACTUAL ACHIEVEMENT
1	Facilitate the migration of the Road Transport Inspectorate function to RTMC	Migration of Road Transport Inspectorate function to RTMC facilitated	Road Transport Inspectorate function migrated to RTMC
2	Implemented fraud and corruption prevention programmes	60% fraud and corruption programmes implemented	60.82% fraud and corruption initiative implemented
3	Developed and Implemented Operator Compliance Accreditation Scheme (OCAS)	National Feasibility Assessment	National Feasibility Assessment conducted
4	Percentage increase in the number of inspections conducted	5% increase in the number of inspections baseline	16% increase in the number of inspections conducted
5	Number of key findings reports on inspections and prosecutions	4 Law enforcement reports (Section 39 (2)	4 Law enforcement reports (Section 39 (2)
6	Percentage of operator constraints addressed within 6 months	70% of operator constraints addressed within 6 months of reporting	83.33% of operator constraints have been resolved during the quarter.
7	Percentage resolution of passenger transport conflicts registered and resolved within 6 months	70% of operator transport conflicts resolved within 6 months of reporting	85.71% passenger conflicts were addressed during the quarter.
8	Number of Industry Partnership Development Plan (IPDP) recommendations implemented	4 stakeholder forums	7 stakeholder forums conducted
9	Number of Annual State of Cross-border operations reports (ASCBOR) submitted to the Minister and other relevant stakeholders	1 ASCBOR report to the minister and other stakeholders	1 ASCBOR report submitted to the Minister and posted on the Agency's website for other stakeholders
10	Number of country profiles developed or updated	2 country (Malawi and the Kingdom of Lesotho) profiles developed	Malawi and the Kingdom of Lesotho country profiles developed
11	Percentage achieved on client satisfaction survey conducted on freight and passenger (taxis and buses) operators	65% customer satisfaction achieved	72.1% consolidated customer satisfaction levels
12	Number of initiatives to increase C-BRTA's visibility	4 presented papers at transport conferences	7 papers presented at different transport conferences

During the period under review the Agency encountered challenges in its ability to deliver on six (6) targets that are articulated in its Annual Performance Plan. The following targets were not achieved as some were impeded by limited control on critical processes that are essential for progress:

- Percentage improvement in organisational culture;
- Developed and implemented cross border user charges as a new revenue stream;
- Developed and implemented new business system;
- Upgraded Technology platforms;
- Developed Business Case on comprehensive levying of cross border user charges;
- Implementation and refinement of scientific tool (Market Access Regulation tool).

3.1 PROGRAMME 1: ADMINISTRATION

3.1.1. Human Resources And Administration Services

3.1.2.1 Introduction

The purpose of the division is to provide professional human resource and facility management services to the Agency so as to enable and enhance business delivery. These services include developing and adopting strategies that are responsive to the business strategy and strategic tasks confronting the Agency.

3.1.1.2 Strategic Objectives

- To develop, implement and sustain a high performance culture in the organisation; and
- To ensure the financial viability and sustainability of the C-BRTA.

3.1.1.3 Summary of programme performance

3.1.1.3.1 Migration of Road Transport Inspectorate (RTI) to Road Traffic Management Corporation (RTMC) Facilitated

The 2015 National Road Safety Summit resolved that a single law enforcement be established, hence the need for C-BRTA to migrate its law enforcement unit to the Road Traffic Management Corporation (RTMC). These efforts are geared towards the Constitutional imperative of creating a single police service. The migration of the inspectorate to the RTMC was successfully completed and the transfer activated on 31 March 2017 as per the plan. The Pass-out parade was held on 30 March 2017 to mark the transfer.

A Memorandum of Understanding (MoU) has been signed with the RTMC to ensure a closer and a collaborative relationship in pursuance of the achievement of the cross-border law enforcement mandate.

3.1.1.3.2 Implementation prioritised culture change recommendations

Although not all the interventions planned to improve organizational culture could not be fully implemented, there were strides taken to improve organizational culture through various training and development initiatives. Continuous training of employees is fundamental to building a high performance culture. To that effect, one of the key interventions of the culture change implementation plan was training of staff. Training programmes were identified as per employee needs and a total of 204 employees were trained during the financial year.
The established Legislative Compliance Committee is also expected to contribute towards improving the working environment and skills base of the workforce.
Non achievement on this target was as a result of a change in approach and the resignation of key critical positions was also a contributing factor; however as at end of financial year, capacity issues were addressed.

Implementation of the culture change interventions will be pursued in the next financial year and will be monitored through progress report on operational plans.

Table 4: Human Resources Performance against Pre-determined Objectives

STRATEGIC OBJECTIVE: TO DEVELOP, IMPLEMENT AND SUSTAIN A HIGH PERFORMANCE CULTURE IN THE ORGANISATION					
KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/16	PLANNED TARGET 2016/17	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/17	COMMENT ON DEVIATION
Facilitate the migration of the Road Transport Inspectorate function to the Road Traffic Management Corporation (RTMC)	None	Migration of Road Transport Inspectorate function to RTMC facilitated	Target achieved Migrated Road Transport Inspectorate function to RTMC.	None	None
Percentage improvement in organisational culture	Snap survey was conducted internally	100% Implementation of the prioritised culture change recommendations from the snap survey	Target not achieved Of the planned culture change interventions, the Agency focused on training initiative and a total of 204 employees were trained as at the end of the financial year.	The project had to be deferred due to a change in approach and resignation of key personnel within HR division.	Capacity challenges were addressed as at the end of the financial year and the culture change priorities has since been incorporated into the 2017/18 operational plan

3.1.1.4 Operational Performance

Worthy to note are outcomes of efforts that the programme made on various Human Resources related activities that have a positive impact on employee wellness, conduct and improved work ethics. The Agency had established a Legislative Compliance Committee that oversees compliance and professional undertaking in terms of skills development, occupational health and safety as well as employment equity. Given that training and development contributes towards the development of a skilled and competent workforce, enhancement of a high performance culture within the organisation and an increase in employee morale, the training plan for 2016/17 identified 290 learning interventions that covered all occupational levels. The Programme recorded a total of two hundred and four (204) which is 70% of employees that were trained on various learning interventions, out of two hundred and ninety eight (298) employees.

The Programme also has a sub-unit that attends to labour relations issues like grievances and good conduct. It is in this space that matters pertaining to disciplinary aspects and review of code of conduct are handled. Management of activities related to labour engagement through the Labour Consultative Forum is also spearheaded within the Programme. A key highlight for the year was the signing of a collective agreement between the C-BRTA, RTMC and POPCRU relating to the migrated law enforcement officers and the conditions of employment in the new environment.

3.1.1.5 Strategies to overcome areas of under performance

The other prioritised culture change initiatives have been carried over to the 2017/18 financial year at an operational plan level so as to ensure that the organisational culture is continuously improved. An all-inclusive approach is also adopted where line functions participates in creating a conducive culture environment for the employees.

3.1.1.6 Changes to planned targets

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

3.1.1.7 Linking performance to budgets

Table 5: Expenditure: Human Resources Management

PROGRAMME	2016/2017			2015/2016		
	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*	122,197	87,050	35,147	117,490	92,449	25,041

**Administration (CEO's office, CIO, Finance, Governance and HR & Admin)*

3.1.2 FINANCE AND SUPPLY CHAIN MANAGEMENT

3.1.2.1 Introduction

The purpose of this division is to ensure provision of financial and supply chain management to the Agency and its line functions while ensuring compliance with statutory requirements and best practice models. The division is also tasked with ensuring efficiency, effectiveness and sustainability in the management of resources.

3.1.2.2 Strategic Objectives

- To ensure the financial viability and sustainability of the C-BRTA

3.1.2.3 Summary of programme performance

3.1.2.3.1 Implemented cross-border user charges

The annual target for the implementation of the cross border charges as a revenue stream was not achieved; however some activities geared to assist in taking the process forward were undertaken. These include the review of the comprehensive business case that was developed and submitted to the Department of Transport, as well as the establishment of a joint task team comprising of officials from the Department of Transport (DoT), C-BRTA and SANRAL to work on the implementation of the project.

A project plan which will guide the work of the task team was developed. This project plan includes consultation with various stakeholders such as the Department of Trade & Industry, Department of Tourism, SARS, National Treasury and the Department of International Relations and Cooperation. Efforts were also taken to solicit support of the Director-General of the DoT in mobilising stakeholders and to that effect key stakeholders have been notified of the pending consultation on cross border charges. This was as an outcome of the meeting between the C-BRTA and DoT led by the CEO and the Acting Director General respectively. Additional meetings of the Task team were held to take the process forward.

Table 4: Human Resources Performance against Pre-determined Objectives

STRATEGIC OBJECTIVE: TO ENSURE THE FINANCIAL VIABILITY AND SUSTAINABILITY OF THE C-BRTA					
KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/16	PLANNED TARGET 2016/17	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/17	COMMENT ON DEVIATION
Developed financial sustainability strategy/ model	The feasibility study on various revenue streams was conducted in the last quarter and the feasibility report was approved in the Board meeting of January 2016	Revised financial sustainability strategy Implemented cross-border user charges as a new revenue stream	Target not achieved Meetings between the delegations of the Agency and the Department took place during the financial year and a task team established to execute the project. Consultation process with the Department on-going.	The implementation of the cross border user charges as a new revenue stream required consultation with various stakeholders including the National Treasury, the DoT, SANRAL and other Departments and entities. The Agency under-estimated the level of engagements and the extent to which the project is not entirely within the control or influence of the Agency. Socio- economic impact assessment to be conducted as part of the consultation processes during 2017/18 financial year.	A task team comprising of all the affected stakeholders has been re-established for proper execution of this project

3.4.3.4. Operational Performance

The Programme's overall performance is a combination of various efforts that were geared towards achieving its priorities for the year. The primary focus in each year is the preparation and presentation of the Annual Financial Statements free from material errors which has been successfully completed and led to the attainment of a clean audit for the financial year 2015/16. Through the turnaround plan, we have been able to meet our cost containment measure targets thus ensuring the Agency's financial sustainability. The Agency's obligation to refund Operators is being met while also ensuring positive cash balance which is above initial projections.

Over and above what has been achieved during the financial year, the Agency has successfully achieved the following:

a) The annual budgets have been submitted and presented in time and incorporated into the Annual Performance Plans;
b) No major findings have been reported by internal audit during the financial discipline review nor the interim audits by the External Auditors;
c) Revenue collected to date has been adequately accounted for and banked; and
d) Procurement registers have been maintained and up to date, so are the registers for deviations.

3.1.2.5 Strategy to overcome areas of under performance

A task team was established to execute the project on the introduction of the cross-border charges. The C-BRTA team has had further engagements with the SANRAL senior management to explore the possibilities of partnership since the SANRAL is directly affected by the User Charges and sharing experiences as well as resources.

3.1.2.6 Changes to planned targets

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

3.1.2.7 Linking performance to budgets

Table 7: Expenditure: Administration

	2016/2017			2015/2016		
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*	122,197	87,050	35,147	117,490	92,449	25,041

**Administration (CEO's office, CIO, Finance, Governance and HR & Admin)*

3.1.3 OFFICE OF CHIEF INFORMATION OFFICER

3.1.3.1 Introduction

The purpose of the IT Division is to provide ICT support to the business and ensure that the technology adds value to the business and its stakeholders through introduction of efficiencies.

3.1.3.2 Strategic Objectives

- Integration of ICT systems
- Optimise technology Foundation

3.1.3.3 Summary of programme performance

3.1.3.3.1 New Permit System

The objective of the project is to develop a new permit system that will replace the current system used for issuing of permits. The Agency changed its approach and adopted a holistic approach that focuses on the enterprise-wide system needs over and above the permit management function. A new approach was to firstly develop the Enterprise Architecture (EA) with the aim of outlining how all of the Agency's systems can be interconnected with one another. The purpose of the EA is to develop a foundation that will guide how all Cross Border Road Transport System intends to respond to all C-BRTA imperatives that are enshrined in the C-BRT Act.

3.1.3.3.2 Upgrading of Technology Platforms

The objective of the project is to upgrade the technology platforms of the agency i.e. both back-end and front-end to enable efficient and effective IT services. It was envisaged that the current technology platform would be upgraded to a level that meets the needs of the C-BRTA. The unit was only able to deliver on the refresh of the front-end tools of trade (i.e. laptops; iPads and desktops) aspect.

The virtualization of the server environment was not achieved due to unforeseen internal and external challenges. The process of virtualising the server is on progress and will be finalised during the 2017/18 financial year.

Table 8: Office of the Chief Information Officer (CIO) Performance against Pre-determined Objectives

STRATEGIC OBJECTIVE: INTEGRATION OF ICT SYSTEMS AND OPTIMISE TECHNOLOGY FOUNDATION					
KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/16	PLANNED TARGET 2016/17	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/17	COMMENT ON DEVIATION
Developed and implemented new business system	Defined New Permit System requirements and specification	Developed and piloted new permit system at Head Office	Target not achieved The procurement of the Enterprise Architecture is underway. The tender has been evaluated and adjudication is underway.	This was due to a change in approach. The change thus required that the Enterprise Architecture (EA) be first developed prior to the Permit System. This target was thus put on hold until the EA project is completed.	A comprehensive specification for the C-BRTS will be developed after the finalisation of the EA project which will be during the 2017/18 financial year.
Optimise Technology Foundation	None as this is a new indicator	None as this is a new indicator	Target not achieved Front end Tools of Trade acquisition achieved Back-end refresh not achieved - the Virtualisation of servers project still in progress	This was a result of various unforeseen internal and external challenges in the acquisition value-chain	Capacity challenges within the Agency are being addressed so as to mitigate non achievement of targets in the future.

3.1.3.4 Operational Performance

The Knowledge management sub-unit focused on the establishment of a File Management Plan (FMP) for the purposes of preserving organisational intelligence. The FMP was approved by the Department of National Archives and Records Services (NARS SA). Development of an intranet was finalised and ready for uploading of information. Another priority was implementing the Information Security Management Systems (ISMS) which was also approved and its roll-out forms part of the 2017/18 priorities.

It is also worthy to note the achievement made with respect to defining the IT Project Management Framework and approval thereof. As part of operator value-add initiatives, the programme assisted in providing a facility for the operators to log issues via the internet C-BRTA website (entry level CRM).

3.1.3.5 Strategy to overcome areas of under performance

Work is in progress to ensure that the C-BRTA's business systems are upgraded so that they respond to the current and future business needs. Capacity is being created in the value-chain to ensure successful completion of planned targets.

3.1.3.6 Changes to planned targets

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

3.1.3.7 Linking performance to budgets

Table 9: Expenditure: Chief Information Officer

	2016/2017			2015/2016		
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*	122,197	87,050	35,147	117,490	92,449	25,041

**Administration (CEO's office, CIO, Finance, Governance and HR & Admin)*

3.1.4 GOVERNANCE AND LEGAL SERVICE

3.1.4.1 Introduction

The purpose of the division is to establish sound corporate governance systems by providing guidance to the Board and its subcommittees, monitor and report on compliance matters, conduct investigations to prevent fraud and corruption, provide legal support and advisory services and facilitate internal audit, and risk management processes.

3.1.4.2 Strategic Objectives

- Prevention of fraud and corruption
- To introduce and implement regulated competition as pertaining to cross-border movements

3.1.4.3 Summary of programme performance

3.1.4.3.1 Implementation of fraud and corruption programmes

The Programme achieved the targets set for 2016/17 in respect of implementing the Fraud and Corruption Programme. Given that some of the day-to-day activities of the Agency involves handling of cash and issuing of permits which may expose the Agency to the risk of fraud and corruption. Therefore initiatives aimed at combating such occurrences are of high importance.

The Agency implemented about 60% of the planned initiatives during the financial year and the other identified programmes will be implemented progressively during the 2017/18 financial year.

3.1.4.3.2 Draft legislative proposal on comprehensive levying of cross-border user charges

For the year that ended, the annual target of draft legislative proposal on comprehensive levying of cross-border user charges could not be achieved as it requires the support of the Department of Transport and consultation with other stakeholders such as the South African Revenue Service, National Treasury, Department of Trade and Industry, Department of International Relations and Cooperation and Department of Tourism.

To enable effective consultation with relevant stakeholders, a task team was established comprising of the C-BRTA, DoT and SANRAL officials to facilitate the implementation of the project. By the end of the financial year consultation on project plan was still in progress. The team will proceed with consultation with relevant parties and also conduct a socio-economic impact assessment which will form the basis for the development of the legislative proposal.

Table 10: Governance and Legal Services Performance against Pre-determined Objectives

STRATEGIC OBJECTIVE: TO PREVENT FRAUD AND CORRUPTION AND TO INTRODUCE AND IMPLEMENT REGULATED COMPETITION AS PERTAINING TO CROSS-BORDER MOVEMENTS					
KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/16	PLANNED TARGET 2016/17	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/17	COMMENT ON DEVIATION
Implemented fraud and corruption prevention programmes	Developed anti-corruption strategy Developed integrity management framework	60 % fraud and corruption programmes implemented	Target achieved 60.82% of fraud and corruption programmes have been implemented.	None	The target was over-achieved due to an increase in the scope of fraud awareness campaigns

STRATEGIC OBJECTIVE: TO PREVENT FRAUD AND CORRUPTION AND TO INTRODUCE AND IMPLEMENT REGULATED COMPETITION AS PERTAINING TO CROSS-BORDER MOVEMENTS					
KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/16	PLANNED TARGET 2016/17	ACTUAL ACHIEVEMENT	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/17	COMMENT ON DEVIATION
Developed Business Case on cross-border comprehensive levying of cross-border charged	None	Submitted a draft legislative proposal on comprehensive levying of cross-border user charges	Target not achieved Meetings between the delegations of the Agency and the Department took place during the financial year and a task team established to execute the project. Consultation process with the Department on-going.	The development of the legislative proposal was dependant on the outcome of the consultative process that is led by the Department of Transport (DoT) with the relevant external stakeholders as this might require a policy change. To this end, the Agency is in consultation with the DoT and task team has been established by the Minister.	The possible changes to government policy are led by the Department of Transport as a policy and hence the re-establishment of the task team that comprises of all the affected stakeholders.

3.1.4.4 Operational Performance

The Agency continues to review new and pending litigation cases with the view of effectively managing them. The litigation policy was approved by EXCO and a litigation procedure manual developed and served at Regulatory Committee and Board during the year.

3.1.4.5 Strategy to overcome areas of under performance

The submission of the legislative proposal on the levying of cross-border user charges is reliant on the successful outcomes of engagements with the Department of Transport and the affected stakeholders.

3.1.4.6 Changes to planned targets

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

3.1.4.7 Linking performance to budgets

Table 11: Governance and Legal Services

	2016/2017			2015/2016		
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*	122,197	87,050	35,147	117,490	92,449	25,041

**Administration (CEO's office, CIO, Finance, Governance and HR & Admin)*

3.2 PROGRAMME 2: REGULATORY SERVICES

3.2.1 Introduction

The Regulatory Services programme is responsible for regulating and controlling access to the cross-border road transport markets of freight and passengers. The regulation is based on a permit administration regime, which anchored on the principles of 'reciprocity' similar treatment, non-discrimination and extraterritorial jurisdiction. The objective of the regulation is to improve and promote social and economic development and regional integration through progressive liberalization of the cross-border freight market and by means of the introduction of regulated competition within the cross border passenger market.

The programme is also tasked to ensure compliance to the Agency's empowering and related legislation as well as the provisions of the bi- and multi-lateral road transport agreements.

3.2.2 Strategic Objectives

- To introduce and implemented regulated competition of cross-border movements
- To improve compliance with road transport legislation

3.2.3. Summary of programme performance

3.2.3.1 National Feasibility Assessment of the Operator Compliance Accreditation Scheme (OCAS)

OCAS is an intelligent risk-based regulatory tool which will accredit and certify cross border operators accordingly to the level of compliance to regulatory requirements and seeks to address constraints faced by cross-border road transport operators, including delays, duplications, lack of harmonization and high costs of doing business.

The Programme has successfully drafted the National Feasibility Assessment Report. Achievement of this target implies the next phase towards the Agency's strategic move in turning cross border transportation around in terms of compliance with self-regulation and accreditation of compliant operators.

3.2.3.2 Impact assessment and refinement of the Market Access Regulation (MAR) tool to three (3) corridors

In line with targets set for APP deliverables, the Programme channelled some efforts towards piloting the scientific tool intended for use by the Regulatory Committee to manage demand and supply of cross-border passenger transport. However, the annual target could not be achieved as refinement of tool is depended on the piloting of the tool which could not be undertaken as planned. One of the major challenges that were encountered was linked to Zambia wherein piloting could not happen as passenger transport is liberalized and the country is still working on the national policy on routing. The tool was piloted in Zimbabwe and Malawi.

Table 12: Regulatory Performance against Pre-determined Objectives

STRATEGIC OBJECTIVE: TO INTRODUCE AND IMPLEMENT REGULATED COMPETITION OF CROSS-BORDER MOVEMENTS; TO PROMOTE EFFICIENCIES IN PERMIT ISSUING SO AS TO REDUCE COST OF DOING BUSINESS FOR OUR OPERATORS AND TO IMPROVE COMPLIANCE WITH ROAD TRANSPORT LEGISLATION					
KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/16	PLANNED TARGET 2016/17	ACTUAL ACHIEVEMENT 2016/17	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/17	COMMENT ON DEVIATION
Developed and Implemented Operator Compliance Accreditation Scheme (OCAS)	Consultation with key stakeholders. Updated Feasibility Report. EXCO approved revised OCAS ICT TOR for appointment of Service Provider	National Feasibility Assessment	Board approved National Feasibility report	None	None

STRATEGIC OBJECTIVE: TO INTRODUCE AND IMPLEMENT REGULATED COMPETITION OF CROSS-BORDER MOVEMENTS; TO PROMOTE EFFICIENCIES IN PERMIT ISSUING SO AS TO REDUCE COST OF DOING BUSINESS FOR OUR OPERATORS AND TO IMPROVE COMPLIANCE WITH ROAD TRANSPORT LEGISLATION					
KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/16	PLANNED TARGET 2016/17	ACTUAL ACHIEVEMENT 2016/17	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/17	COMMENT ON DEVIATION
Implemented scientific tool used by the Regulatory Committee to manage supply and demand cross-border passenger transport	Consultations executed with Botswana, Mozambique, Namibia, Swaziland and Zimbabwe	Impact assessment on the three (3) main corridors Refinement of the scientific tool	Target not achieved The MAR model was piloted on the Zimbabwe and Malawi routes for a period of 6 months during the financial year. A post pilot assessment for Zimbabwe was finalised. One for Malawi is yet to be finalised subject to engagements with the Ministry of Transport.	The planned target for piloting in the three (3) identified corridors could not be achieved as the Zambians were still awaiting finalization of the National Policy on Routing and will therefore not be able to pilot the model in the absence of an approved national policy on routing.	The C-BRTA remains committed in ensuring the implementation of the Market Access Regulation tool as a step towards achieving the Agency's objective of introducing regulated competition.

3.2.4. Operational Performance

The primary function of the programme is issuance of permits to operators. Some of the key activities in the issuance of permits relate to the referral of applications for concurrence, licensing operations and capturing of related statistics thereof. The function also calls for administrative tasks such as review of error rate and filling, support provided to the Regulatory Committee, compilation/review of the compliance checklist for passenger applications in accordance with provisions of legislation and adjudication of application for temporary permits.

The programme issued 84 958 permits during the year, constituting 11.8% increase year on year and exceeding the annual target of 76 000.

Summary of permits issued in the year

Table 13: Goods Permit Statistics

COUNTRY	2016/17	2015/16	% MOVEMENT
Angola	144	188	(23.4)%
Botswana	8 267	8 264	0.04%
DRC	4 701	4 757	(1.8)%
Kingdom of Lesotho	3 545	3 824	(7.3)%
Malawi	2 957	2 322	27.3%
Mozambique	9 709	10 356	(6.2)%
Namibia	6 119	6 231	(1.8)%
Swaziland	4 956	5 251	(5.6)%
Zambia	13 044	13 401	(2.67)%
Zimbabwe	11 511	10 984	(4.8)%
Cabotage	47	37	27%
TOTAL	**65 000**	**65 615**	**(0.94)%**

Table 14: Taxi Passenger Permit Statistics

COUNTRY	2016/17	2015/16	% MOVEMENT
Angola	0	01	(100)%
Botswana	640	537	19.2%
DRC	03	09	(66.6)%
Kingdom of Lesotho	1 049	1 418	(26)%
Malawi	57	58	(1.72)%
Mozambique	6678	5 335	25.2%
Namibia	124	120	3.3%
Swaziland	759	529	43.5%
Zambia	34	29	17.3%
Zimbabwe	6 121	4 318	41.7%
TOTAL	**15 465**	**12 354**	**25.2%**

Table 15: Bus Passengers Permit Statisticss

COUNTRY	2016/17	2015/16	% MOVEMENT
Botswana	133	89	49.4%
DRC	07	08	(12.5)%
Kingdom of Lesotho	195	347	(43.8)%
Malawi	191	232	(17.7)%
Mozambique	219	328	(33.2)%
Namibia	31	45	(31.1)%
Swaziland	41	80	(48.75)%
Zambia	22	21	4.76%
Zimbabwe	1 172	965	21.5%
TOTAL	**2 011**	**2 115**	**(4.9)%**

Table 16: Tourist Permit Statistics

COUNTRY	2016/17	2015/16	% MOVEMENT
Regional	2 455	1 899	29.3%
Cabotage	27	26	3.8%
TOTAL	**2 482**	**1 925**	**28.9%**

3.2.5 Strategy to overcome areas of under performance

Plans are in place to ensure achievement of the refining and implementing the MAR tool. The key challenge related to the implementation was the inability to pilot the MAR Model in Zambia. The Zambian Ministry of Transport, during a Joint Committee meeting on November 2016 indicated that it was in the process of executing a European Union funded project on routing to improve the passenger transport system. The project recommended amongst others the development of a routing policy and draft regulations, which are in the process of being considered. This therefore implied that Zambia would not be able to pilot the model in the absence of an approved national policy on routing. A proposal will be made to the Regulatory Committee to implement the model on the Zambia route with the revised model parameters, i.e. border transit time and vehicle seating capacity.

3.1.6 Linking performance to budgets

Table 17: Expenditure - Regulatory Services

	2016/2017			2015/2016		
PROGRAMME	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
Regulatory Services	21,023	16,307	4,716	20,509	16,706	3,803

3.3. Programme 3: Road Transport Inspectorate (RTI)

3.3.1. 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 for Transport, Communication and Meteorology. The strategic intent of the function is to support the safety of freight and passengers in the Southern African Region through compliance with relevant laws and regulations.

The Road Transport Inspectorate (RTI) is comprised of the following two sub:

- **Law Enforcement –** this sub division is a core functional area within RTI and it conducts vehicle road transport inspections for compliance with requisite vehicle standards and norms. These inspections ensure that all vehicles conducting cross border road transport are in compliance with minimum road safety standards as provided for in the RSA transport legislation and related Road Transport Agreements. Operators and drivers who are found to be non-compliant are prosecuted and at times through collaboration with various law enforcement authorities, non-compliant vehicles are impounded. The competitive advantage of the programme is the strategic deployment of the inspectorate and collaboration with all law enforcement agencies in the country and SADC. The sub division is also responsible for partnering with strategic and critical stakeholders within the fraternity to ensure efficient and effective delivery by the Road Transport Inspectorate.

- **Law Enforcement Profiling –** this sub division is a strategic sub-division within RTI and it collects information from vehicle inspections, vehicle prosecutions, passenger lists, consignment notes and other information gathering approaches to create law enforcement business intelligence. This function assists the Agency to make informed and intelligence driven decisions in conducting law enforcement operations and investigations. Various databases are developed in the sub division for management of the Inspectorate. The profiling unit is also responsible for generating reports on law enforcement information on a route basis, traffic flows and operator profiles. The reports are submitted to the Regulatory Committee to assist them in decisions related to regulating the industry.

3.3.2 Strategic Objectives

- To improve compliance with road transport legislation

3.3.3 Summary of programme performance

3.3.3.1 Five (5%) Increase in the number of inspection conducted

The RTI conducted a total of 272 247 inspections during the year, thereby exceeding the targeted inspections of 234 136 by 16.28% and exceeding the targeted 5% by 11.28%. The annual target was exceeded due to the strategic deployment during the October Transport Month and the festive season.

3.3.3.2 Key findings report on inspections and prosecutions conducted

This report is developed as per Section 39 of the C-BRT Act and covers information pertaining to expired permits vs. returned permits per vehicle type, expired permits vs. returned permits per conveyance type, expired permits vs. returned permits per duration and expired permits vs. returned permits per destination. The report also covers types of offences detected during inspections, classification of offences linked to routes and processing statistics as well as analysis of operator behaviour.

Table 10: Road Transport Inspectorate Performance against Pre-determined Objectives

STRATEGIC OBJECTIVE: TO IMPROVE COMPLIANCE WITH ROAD TRANSPORT LEGISLATION					
KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/16	PLANNED TARGET 2016/17	ACTUAL ACHIEVEMENT 2016/17	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/17	COMMENT ON DEVIATION
Percentage increase in the number of inspections conducted	241 415 Inspectors were conducted resulting in the target being exceeded by 18 427	5% (234 136) increase in the inspections baseline	Target achieved A 16% (234 136-272 247/100) increase the number of inspections conducted was achieved for the financial year.	Over achievement noted. There was an achievement of 11% above the set target.	The annual target has been exceeded due to the strategic deployment during the October transport month and the festive season.
Number of key findings reports on inspections and prosecutions	EXCO approved inspection findings tool Three reports on key finding	4 law enforcement reports (Section 39 (2))	Target achieved 4 section 39 (2) Law enforcement reports have been noted during the financial year.	None	None

3.3.4. Operational Performance

Law enforcement is partially enabled through profiling of permit applicants and section 29 reports is prepared and submitted to the Regulatory Sub-Committee to use as a reference in decision making. Applicants who failed to comply with submission of expired permits, passenger lists and operators that are classified as habitual offenders were not recommended for permit issuance. The Programme also provides enforcers with permit applicant's profiles in line with Section 27 & 28 of the CBRT Act.

The Agency also gave focus to having organisational presence at the border space, and there were permanently deployed inspectors within 2km proximity at Vioolsdrift, Ficksburg and Skilpadshek border posts.

Key to note is the achievement made in relation to developing and operationalising Smart Law Enforcement Strategy. Focus was on reviewing and refining The Smart Law Intelligence Gathering Tool which was approved and rolled out in regions where Profiling Officers have been deployed.

In order to ensure institutionalisation of a service oriented culture within Road Transport Inspectorate, the Programme registers and responds to the complaints address the problem. Where misconduct of inspectors is identified, remedial action is applied. For purposes of enhancing safety of inspectors at operations and to reduce reported incidents of attacks on inspectors, regional managers ensured that parades are conducted before deployment. Inspectors were deployed with other law enforcement officers or in close proximity to them.

No incidents of attacks on inspectors were reported. Engagements with Route Committees also assisted in this regard.

The division has engagements with key stakeholders including the South African Police Service, Department of Justice (Courts), Department of Transport, Port Management Sub-Committee (National, provincial & local level) and local municipalities. Critical discussions during these meetings were around operational matters and joint law enforcement initiatives. Joint Law Enforcement Operations were conducted in collaboration with other law enforcement agencies whereby a total of 8 996 inspections were conducted and 398 notices issued.

3.3.5 Strategy to overcome areas of under performance

There is no area of underperformance for this programme.

3.3.6 Changes to planned targets

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

3.3.7 Linking performance to budgets

Table 19: Expenditure: Road Transport Inspectorate

PROGRAMME	2016/2017			2015/2016		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
Road Transport Inspectorate	81,546	78,360	3,186	83, 545	72, 617	10,928

3.4 PROGRAMME 4: FACILITATION AND INDUSTRY DEVELOPMENT

3.4.1 Introduction

The purpose of the Facilitation and Industry Development (FID) 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 the cross-border road transport corridors. FID monitors the implementation of cross-border road transport agreements with counterpart countries to ensure that cross-border operations are based on 'reciprocity' similar treatment and non-discrimination. In line with that, during the reporting time, focus was also on strengthen strategic relationships within the country as well as with counterparts in neighbouring countries with a view to creating conducive environment to address operational constraints.

Facilitation function further entails participation and supporting the implementation of regulatory programmes such as the COMESA-EAC-SADC, Tripartite Transport Transit Facilitation Programme initiatives that are centred on migration from quantity to quality regulation, harmonisation and road freight transport market liberalisation, and improvements in border posts that seek to reduce operational constraints. The Division also exists to add value to cross-border road transport operations by facilitating the provision of training, capacity building and the promotion of entrepreneurship generally and, in particular, in respect of small, medium and micro-enterprises with an interest in cross-border road transport.

3.4.2 Strategic Objectives

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

3.4.3. Summary of programme performance

3.4.3.1 Percentage of operator constraints addressed within 6 months

This function entails addressing all complaints related to constraints encountered by operators along various corridors as they conduct their business. These constraints are encountered domestically in South Africa or in the destination or transit country due to the dynamic nature of the cross border road transport environment and they impact business operations negatively. These factors range from political and regulatory stability, changes in the domestic and regional policies as well as corridor developments. some of which may result in constraints being experienced by operators. Key to note is that there are no outstanding constraints that are carried over to the new financial year as all constraints were addressed.

The Agency achieved 83.33% on resolving constraints within 6 months of reporting time and continues to engage its counterparts to resolve the root causes that relate to amongst others the following:

- The challenge relating to the requirement for RSA operators to buy Third Party Insurance when entering neighbouring countries irrespective of the fact they are covered by insurance purchased in South Africa. Through the persuasive efforts of the C-BRTA on this matter, Zambia is considering establishment of the Motor Vehicle Accident Fund as part of resolving this challenge. Furthermore the Finance and Transport subcommittees of the Binational Commission held with Zimbabwean counterparts resolved to find a joint solution.
- The challenge of non-recognition of South African vehicle standards by some neighbours where South African registered vehicles are expected to meet vehicle standards of these countries was also given attention. There is commitment from the Zambian and Zimbabwean authorities to recognise South African vehicle standards.
- The challenge relating to bottlenecks, delays and random fees charged at the Container Depot in Zimbabwe. Through the efforts of the C-BRTA, Zimbabwe has initiated an exercise to review and streamline processes and fees at the Container Depot.
- The levying of exorbitant cross border charges by counterparts that applies only to foreign registered vehicles. These fees constitute unnecessary constraints that increase operational costs to all our operators. The C-BRTA has an initiative to introduce cross border charges to level the playing field.

3.4.3.2 Percentage resolution of passenger transport conflicts registered and resolved within 6 months

The Agency achieved 85.71% on resolving conflicts within 6 months of reporting time. This initiative is intended to address conflicts that often create either a barrier to enter the market or pose danger to passengers. Barrier to entry arise as a result of either association objecting applications or denying applicant a recommendation letter. The conflicts are commonly reported by taxi operators who often complain about the operations of other cross-border stakeholders that impact negatively on their business.

3.4.3.3 Implemented Industry Partnership Development Plan (IPDP) initiative

The main purpose for holding stakeholder forums is continue to respond to primary stakeholder business needs and build relationships with the secondary stakeholders. These consultations assist the Agency in responding strategically to operators' needs. For 2016/17, the target was to have four forum meetings and that was exceeded as a total of seven (7) stakeholder forums were held. In addition to that, Bi-lateral meetings involving government and private sector stakeholders from South Africa and Zambia; and Trilateral meetings involving government and private sector stakeholders from South Africa, Zimbabwe and Zambia.

Table 20: FID Performance against Pre-determined Objectives

STRATEGIC OBJECTIVE: TO ESTABLISH AND SUSTAIN STRATEGIC PARTNERSHIPS WITH STAKEHOLDERS SO AS TO ENABLE THE AGENCY TO ACHIEVE ITS OBJECTIVES					
KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/16	PLANNED TARGET 2016/17	ACTUAL ACHIEVEMENT 2016/17	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/17	COMMENT ON DEVIATION
Percentage of operator constraints addressed within 6 months	65.63% of constraints resolved or escalated	70% of operator constraints addressed within 6 months of reporting	Target achieved 83.33% of operator constraints have been resolved during the quarter.	Over-achieved There set target was exceeded by 13.33%.	The reason for the overachievement for this target is due to the increased cooperation from stakeholders as a result of effective stakeholder management, and the implementation of the Constraints Management Framework
Number of Industry Partnership Development Plan (IPDP) recommendations implemented	Primary and secondary databases developed and updated 4 stakeholder forums meeting conducted	Primary and secondary databases developed and updated 4 stakeholder forums meeting conducted	Target achieved A total of 7 Stakeholder forums were held during the financial year.	Over-achieved There were 3 more forums conducted	Bus operator forum was convened separate forum from the planned Joint Passenger Operators Forum. The Consultative Stakeholder Forum meeting that was planned for the last quarter of 2015/16 was carried over and convened in the first quarter of 2016/17 financial year. In addition, there were requests from counterparts during the year to convene the bi-lateral Joint Route Management Group and Joint Committee meetings with stakeholders from Zambia, and a trilateral meeting involving stakeholders from South Africa, Zambia and Zimbabwe.
Percentage resolution of passenger transport conflicts registered and resolved within 6 months	87.5% resolution was achieved	70% of operator transport conflicts resolved within 6 months of reporting	Target achieved 85.71% passenger conflicts were addressed during the quarter.	Over-achieved There set target was exceeded by 15.71%.	The over achievement is due to effective and efficient conflict management systems in place and the close cooperation between the Agency and the National Cross-Border Transport Organisation (NCBTO) which takes active interest in the operations of cross-border taxi associations.

3.4.4 Operational Performance

In view of the operator-centric strategy in place, there were a number of initiatives that were intended to enhance value-add to operators. Among these are industry development initiatives that have a focus on skills development of the operators to empower them to fully exploit opportunity in the cross border industry. The unit conducted empowerment workshops to assist operators on how to prove a need for cross-border service when motivating for their application to the Regulatory Committee during the hearings. Further to that, the Agency consistently made follow-ups on permit applications that were declined by the Regulatory Committee and provided assistance to applicants to afford them an opportunity to enter the cross border market. Still in line with industry development, the Agency embarked on a "helping non-compliant operators to comply" initiative that is mainly meant to assist operators to avoid loss of money over penalty fees but rather find good use to their money by simply complying.

In a bid to build sound relations with operators, the Agency engaged with cross-border operators at route committee level to explore mechanism to improve governance and self-regulation of associations and strived to shorten response time to operators' complaints. This was further boosted through identification of Operators Feedback Communication mechanism which afforded the Agency sound communication with operators. Consultations with freight operators were conducted to establish their concerns, strengthen relations and to establish SMME support required.

The stakeholder management grounds, the Agency participated in various engagements that include BMA and DoT Steering Committees. The Agency continued to participate in the Mpumalanga Provincial BCOCC, the Beitbridge Inter-border meeting. Further to that, the Agency also participated in meetings of various BMA task teams as part of establishing the Border Management Agency. There were consultations held with industry development support institutions to solicit support for emerging cross border operators. Such included municipal Local Economic Development units, National Youth Development Agency, Mpumalanga Economic Growth Agency, Small Enterprise Development Agency and Small Enterprise Financial Agency.

3.4.5 Strategy to overcome areas of under performance

There were no areas of underperformance.

3.4.6 Changes to planned targets

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

3.4.7 Linking performance to budgets

Table 21: Expenditure: Facilitation and Industry Development

PROGRAMME	2016/2017			2015/2016		
	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	(OVER)/UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
Facilitation and Industry Development	14,147	15,786	(1,639)	19, 190	14, 401	4,789

3.5 PROGRAMME 5: OFFICE OF THE CHIEF EXECUTIVE OFFICER (CEO)

3.5.1 Introduction

The main purpose of the Division is to provide strategic support by driving initiatives within the areas of strategic projects, research and project management within the Agency, to enable the organisation to achieve its objectives and goals.

The division is also responsible for organisational performance and communication within the C-BRTA. It also provides oversight on performance monitoring and evaluation to ensure that a sound performance culture is embedded within the organisation.

3.5.2 Strategic Objectives

- To proactively provide value-added advisory services to the Minister of Transport and other stakeholders on cross-border matters in the transport sector;
- To promote the C-BRTA's reputation;
- To position the C-BRTA's brand to ensure visibility and awareness

3.5.3 Summary of programme performance

3.5.3.1 Annual State of Cross-Border Operations Report

The Agency is mandated to provide advice to the Minister and other key stakeholders on developments in the cross border corridors and at the borders. The Agency deems it important to conduct a "State of Cross Border Operations" on an annual basis. The output of this exercise is the Annual State of Cross-Border Operations Report (ASCBOR) that covers major constraints that negatively affects efficiency of the transport corridors, major trade and transport initiatives experienced in the region. The report gives an overview on other best practice models that were implemented successfully in other regions to address similar corridor constraints. The report concludes with recommendations on new trade and transport initiatives for implementation in the region. For the year 2016/17, focus was on the North South Corridor (NSC), Maputo Development Corridor (MDC) and the Trans Kalahari Corridor (TKC). Amongst key recommendations made is the establishment of an autonomous regional regulatory body with the necessary authority to monitor and consistently enforce the implementation of regional agreements and resolutions. The report also recommends the prioritization of the establishment "One Stop Border Posts" to address border inefficiencies which culminate in unnecessary delays and high cost of doing business.

The ASCBOR has findings and recommendations, inclusive of detailed actions plans for prioritised reforms which envisage that they will provide strategic advice on interventions that should be implemented in the three corridors towards enhancing the unimpeded flow of cross-border road transport movements.

3.5.3.2 Developed Country profiles

The Country Profiles developed this financial year seek to disseminate information useful to key stakeholders in the cross-border road transport environment, particularly cross-border road transport operators, regulatory authorities and trading parties with interest in Malawi and Kingdom of Lesotho.

The reports also cover critical factors that influence cross border road transport industry including the requirements for undertaking cross-border road transportation in respective countries, state of cross-border trade and transport industry, traffic volumes and the cross-border regulatory environment. In line with Agency's mandate to empower emerging businesses, the report also highlights economic opportunities and developments that may affect cross-border road transport operations as well as new entrants in the industry including Small-Micro-Medium-Enterprises (SMMEs).

By providing information on these parameters to public and private stakeholders in South Africa, it is anticipated that the stakeholders will have the right information for purposes of future planning, overcoming challenges that may be experienced on key corridors and even for daily operational work like fleet scheduling in the case of transport operators. The direct impact of this will be the improvement in business operations, savings on time and costs and therefore improving productivity in their respective areas of business.

3.5.3.3 Client Satisfaction Survey

The C-BRTA Board took a decision to put its customer needs first and hence the development of an operator centric strategy. The Customer Satisfaction Surveys are used to measure customer satisfaction with respect to specific areas of the Agency and its services. The survey offers an external perspective to the Agency's operations. As a way of responding to gaps identified during these surveys, intervention is conducted at different levels and unit depending on the nature of gap identified.

The client satisfaction survey conducted in 2016/17 reflected satisfaction levels of 71.84% and 72.44% for freight and passenger operator respectively. The average achieved for the financial year thus being 72.06% satisfaction.

3.5.3.4 Papers presented

As part of positioning the Agency as thought leaders in the sector, presentation of papers in sector-based conference were prioritised. Conference presentations were identified as a tool that can put the Agency on the map and make an impactful contribution to the transport industry.

The target was achieved with a total of seven (7) presentations and conference papers delivered as follows:

- Analysis of South African Long Distance Passenger Transport: Cross-Border Passenger Movements, presented at Southern African Transport Conference 2016, South Africa
- Improving Safety in the Road Transport Sector Through Road User Behaviour Changing Interventions: A Look At Challenges And Prospects, presented at the Southern African Transport Conference 2016, South Africa
- Analysis of Available Capacity and Progress Made Within SADC in Respect to Liberalizing Market Access in Road Freight Industry, presented at Southern African Transport Conference 2016, South Africa
- A Cross Border Road Transport Command Center as a Practical Solution to the SADC Road Transport Industry Challenges Along Nodal Points, presented at the 3rd International Conference on Transportation in Africa, Ghana
- An Intelligent Transport Regulatory Tool for Linking Southern African Development Countries: Introducing the Operator Compliance Accreditation Scheme, presented at 23rd ITS World Congress, Australia
- Exploring an Intelligent Transport Regulatory Tool for Linking SADC Countries, presented at Connecting Africa Transport Infrastructure Conference 2016, South Africa
- Enhancing Integrated Cross-Border Law Enforcement and Related Initiatives, presented at National Traffic Indaba 2016, South Africa

The Division also participated at the 2016 Global Development Finance Conference and submitted three abstracts to the Southern African Transport Conference (SATC) 2017.

Table 22: Office of the CEO Performance against Pre-determined Objectives

STRATEGIC OBJECTIVE: TO PROACTIVELY PROVIDE VALUE-ADDED ADVISORY SERVICES TO THE MINISTER OF TRANSPORT AND OTHER STAKEHOLDERS ON CROSS-BORDER MATTERS IN THE TRANSPORT SECTOR					
KEY PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2015/16	PLANNED TARGET 2016/17	ACTUAL ACHIEVEMENT 2016/17	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT FOR 2016/17	COMMENT ON DEVIATION
Number of Annual State of Cross-border operations reports (ASCBOR) submitted to the Minister and other relevant stakeholders	2 ASCBOR submitted to the Minister	1 ASCBOR report to the minister and other stakeholders	Target achieved 1 ASCBOR was submitted to the Minister of Transport and shared for other stakeholders on the C-BRTAs website.	None	None
Number of country profiles developed or updated	2 country (Zimbabwe and Mozambique) profile developed and published	2 country (Malawi and Kingdom of Lesotho) profiles developed	Target achieved 2 Country profiles (Malawi and Kingdom of Lesotho) were developed and approved by Board during the year.	None	None
Percentage achieved on client satisfaction survey conducted on freight and passenger (taxis and buses) operators	72.3% customer satisfaction achieved	65% customer satisfaction achieved	Target achieved 72.06% customer satisfaction level was achieved for the financial year.	Over-achieved There set target was exceeded by 7.06%	The reason for overachievement is due to effective and efficient stakeholder management initiatives by the Agency during the financial year.
Number of initiatives to increase C-BRTA's visibility	Eleven (11) presentations in total were done	Four (4) presented papers at transport conferences	Target achieved Seven (7) papers have been presented at transport conferences during the financial year.	Over-achievement The target was exceeded with 3 papers presented.	Over and above the conferences that the Agency planned to attended, there were addictional invitations that were received and it was deemed necessary to go and present for purposes of enhancing the visibility of the Agency.

3.5.4 Operational Performance

3.5.4.1. Kingdom of Lesotho/Free State Impasse

One of the key priorities for this programme is to resolve the Kingdom of Lesotho/Free State debacle. The RSA/ Kingdom of Lesotho taxi operators' conflicts started in 1999 due to the Free State Taxi operators claiming that they are entitled to a market share out of a situation they see as an "economic bypass". The Minister of Transport established a National Ministerial Task Team (NMTT) tasked with the responsibility of developing a lasting solution to the impasse and is currently working on a Programme of Action. The NMTT consists of representatives from the Department of Transport, Free State Department of Police, Roads and Transport; C-BRTA, the Provinces of KwaZulu-Natal and the Eastern Cape responsible for Transport and incorporates Kingdom of Lesotho Ministry of Public Works and Transport.

The proposed latest South African position on the impasse which comprised of a temporary solution termed as 'Tipa Tipa' which proposed that both cross border operators and Inter-Provincial operators as well as the Kingdom of Lesotho operators load passengers from the departure points, offload them to their destination points and return empty to their respective departure points. This was to allow for an interim solution whereby all these operators share equally in the market.

A more permanent solution was also proposed which comprises of Kingdom of Lesotho operators ferrying passengers from Kingdom of Lesotho to the nearest point in the South African side of the border and return to Kingdom of Lesotho with passengers to their destination points into Kingdom of Lesotho. This proposal makes provision for the South African cross-border operators and Inter-Provincial operators to operate from border towns to inland South Africa without cross border operators crossing the borders into Kingdom of Lesotho inland. This will necessitate some level of amending legislation to allow for this arrangement and the consultations are still on-going.

3.5.4.1. Approved 2015-2020 Strategic Plan and Annual Performance Plan 2017/18

The Agency embarked on a review of the Strategic Plan as per the applicable framework on Strategic Plans and Annual Performance Plans that allow for the review of the approved Plan during the mid-term of implementation. The revision was necessitated by a significant change in the operational set-up of the Agency with the migration of the Road Transport Inspectorate to RTMC. This compelled that targets relating to the law enforcement part of our Strategic Plan be removed and the role of Profiling be redefined. The new 2020 Strategic Plan and the 2017/18 Annual Performance Plan were approved.

3.5.5 Strategy to overcome areas of under performance

There were no areas of underperformance.

3.5.6 Changes to planned targets

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

3.5.7 Linking performance to budgets

Table 23: Expenditure: Office of the Chief Executive Officer

PROGRAMME	2016/2017 BUDGET	2016/2017 ACTUAL EXPENDITURE	2016/2017 (OVER)/UNDER EXPENDITURE	2015/2016 BUDGET	2015/2016 ACTUAL EXPENDITURE	2015/2016 (OVER)/UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
Administration*	122,197	87,050	35,147	117,490	92,449	25,041

****Administration (CEO's office, CIO, Finance, Governance and HR & Admin)***

4. Revenue Collection

Table 24: Revenue Collection

PROGRAMME/ACTIVITY/ OBJECTIVE	2016/2017			2015/2016		
	BUDGET	ACTUAL REVENUE	OVER/(UNDER) COLLECTION	BUDGET	ACTUAL REVENUE	OVER/(UNDER) COLLECTION
	R'000	R'000	R'000	R'000	R'000	R'000
Permit Revenue	201,197	196,305	(4,892)	199, 205	190, 868	(8, 337)
Penalty	36,477	25,429	(11,048)	35, 761	31, 935	(3, 826)
Total	**237,674**	**221,734**	**(15,940)**	**234, 966**	**222, 803**	**(12, 163)**

The permit revenue is two percent (2%) up year-on-year and also two percent (2.4%) below budget. The growth in permit revenue from the previous year is due to an increase in freight permits issued as well as compliance fees collected. There is also an increased preference for five and one year permits compared to shorter term permits compared to the same period in the prior year.

The penalty revenue has gone down twenty percent (20%) compared to the previous financial year. It has also recorded a negative variance of thirty percent (30%) from the budgeted figure due to lower prosecutions during the period under review. This is mainly due to a combination of factors including non-payment of sport fines, reduced law enforcement activities in the last quarter of the financial year and improved level of operator compliance.

5. Capital investment

Table 25: Capital investment

PROGRAMME/ACTIVITY/ OBJECTIVE	2016/2017			2015/2016		
	BUDGET	ACTUAL REVENUE	OVER/(UNDER) COLLECTION	BUDGET	ACTUAL REVENUE	OVER/(UNDER) COLLECTION
	R'000	R'000	R'000	R'000	R'000	R'000
Leasehold improvement	-	-		5, 600	-	5,600
Computer Equipment	2,820	1,241	1,579	3, 786	245	3,541
Furniture & Fittings	-	16	(16)	2, 037	84	1,953
Office Equipment	-	115	(115)	614	468	126
Motor Vehicles and trailers	-	7	(7)	1, 400	321	1,079
Computer Software	4,900	89	4,811	9, 524	146	9,524
Other law enforcement equipment	-	-		2, 539	-	2,539
Other intangibles (trademarks, patents, etc.)	-	-		4, 500	-	4,500
Total	**7,720**	**1,468**	**6,252**	**30,000**	**1,264**	**28,862**

The Agency maintains an asset register containing all its assets and conducts asset verification at least twice a year. The budget for capital expenditure was mainly for the development of the new permit system which was deferred due to change in approach. The Agency decided to first develop an Enterprise Architecture as a foundation that will guide how the Cross-Border Road Transport system will respond to the mandate imperatives as enshrined in the C-BRT Act.

PART C
GOVERNANCE

1. Introduction

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

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

2. Portfolio Committee Meetings

Table 26: Portfolio Committees

DATE	PARLIAMENTARY STRUCTURE	FOCUS	KEY ISSUES RAISED	PROGRESS UPDATE
06 April 2016	Portfolio Committee on Transport (PCOT)	Presentation of the C-BRTA Strategic Plan 2015-2020 and Annual Performance Plan 2016/17 to the Portfolio Committee on Transport.	The C-BRTA was commended for the comprehensive presentation. An emphasis was made on the importance of Chairpersons of Boards to attend meetings with PCOT. Entities were requested to provide as much information as possible to the PCOT on their presentation.	The Portfolio Committee on Transport noted the C-BRTA presentation on the Strategic Plan 2015-2020 and Annual Performance Plan 2016/17.
09 November 2016	Meeting with the Chairperson of the Portfolio Committee on Transport and 3 Committee members	RSA (Free State)/ Kingdom of Lesotho challenges and security matters	On-going security challenges on the RSA/Kingdom of Lesotho corridor	The resolution of the impasse continues to be managed by the National Ministerial Task Team that comprises of the DoT, C-BRTA, Free State Department of Police Roads and Transport, Provinces of KwaZulu Natal & the Eastern Cape responsible for Transport and Kingdom of Lesotho counterparts. South Africa and Kingdom of Lesotho met the SADC Secretariat in Botswana on 28 February 2017. South Africa presented its position, which Kingdom of Lesotho was to consider. The meeting agreed that South Africa and Kingdom of Lesotho should continue with the engagements that are taking place at the NMTT level that is led by both Ministers of Transport. A Programme of Action was drafted and agreed upon and consensus was reached that in future meetings, SADC Secretariat would be invited.

3. The Executive Authority

In line with reporting requirements, all four (4) quarterly performance information reports were submitted to the Minister of Transport together with quarterly financial reports as well as report on implementation of the Turnaround plan that was crafted to specifically take the Agency out of its state of technical insolvency. The Board had further sensitised the Minister on areas where non-achievement was already anticipated due to factors beyond the Agency's control and other operational constraints.

The Minister expressed appreciation for the Agency's focus and efforts to set targets pertaining to achievement of critical areas, mainly to:

- Improve compliance with road transport legislation;
- Establish and sustain strategic partnerships with stakeholders;
- Pro-actively provide value-added advisory services to the Minister of Transport and relevant stakeholders on cross border matters; and
- Promote C-BRTA's reputation.

4. The Board

4.1. Introduction

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

The Board is responsible for the following, amongst others:

- Monitoring and evaluate the implementation of strategies and management of performance;
- Ensuring Policies are in place;
- Monitoring the Agency's compliance with all relevant laws;
- Managing the risks of the organisation;
- Assessing the effectiveness of internal control environment;
- Recommending the appointment and reviewing the performance of the CEO;
- Setting the corporate governance systems;
- Ensuring that IT systems used within C-BRTA are adequately run;
- Defining the level of maturity of the Agency; and
- Discharging legislative duties and exercising any power conferred to it by the C-BRT Act.

4.2. The Role of the Board

The Board is primarily responsible for providing strategic direction to the Agency. The Board develops the five (5) year Strategic Plan and the APP of the Agency in accordance with the PFMA. In terms of the PFMA, the Board is the accounting Authority for the Agency and has the responsibility to report to the Minister on the performance of the Agency. The Board and the Minister conclude an annual performance agreement which sets out the role and responsibilities of both parties and govern their relationship. The Board further approves the budget and monitors the Agency's financial performance on a quarterly basis through the Audit and Risk Committee. At every quarterly Board meeting, the Board considers the quarterly performance report of the Agency which has been audited by the internal auditors. Where there is non-achievement of targets, management provides reasons for deviation and provide the remedial actions to ensure recovery on under-performance.

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

The Board meets at least four (4) times in a year however, as the need arises, a special meeting may be convened. Board meetings are scheduled in advance and members of the Board are provided with requisite information well in time to prepare for the meeting. The Board further meets with the Minister on arrangement and have a scheduled AGM at which the Board presents the audited annual report including the audited Annual Financial Statements for the Minister's approval. The Minister further approves the appointment of the Audit and Risk Committee members and confirms the appointment of internal auditors for the year.

4.3. Board Charter

The Board operates in accordance with the Board Charter which is reviewed on an annual basis. The Charter sets out the Board's duties and responsibilities in terms of the C-BRT Act as well as procedures for Board meetings. The Charter further makes provision for the evaluation of the Board's performance to ensure that it remains effective and addresses challenges that may be hampering its effectiveness.

4.4. Composition of the Board

In accordance with the Cross-Border Road Transport Act, the Board should comprise of twelve (12) members. The Chief Executive Officer is the only Executive member of the Board with the remaining eleven (11) members serving as Non-Executive members. As at 31 March 2017, the board had eight (8) serving Non-Executive members as a result of two (2) resignations and one retirement.

The Board's period of appointment is three (3) years and the members may be re-appointed by the Minister for a further period of three (3) years. The Board and sub-Committee Inductions were conducted for new Board members to ensure that they are brought up to speed soon after their appointment and to prepare them to discharge fiduciary duties and responsibilities efficiently.

The Board has approved the delegation of authority which sets out the categories of decisions that require approval of the Board committees, Chief Executive Officer and other levels within the Agency, while reserving other powers to the Board. The Board has established committees comprising of Board members and in the case of Audit and Risk Committee, members independent from the Board and the Agency. There are four committees of the Board, namely: Audit and Risk, Human Resources and Remuneration, Social and Ethics Committee and Procurement Committee. Each committee operates in terms of the terms of reference that have been adopted by the Board and are reviewed on an annual basis. However, the Regulatory Committee is a statutory committee established in accordance with the C-BRT Act and operates in terms of the Regulatory Committee Policy.

4.5. Board Meetings

Table 27: Summary of Board Meetings held

MEMBER	DATE											TOTAL ATTENDANCE
	28/4/2016	27/5/2016	27/6/2016	28/7/2016	27/9/2016	28/10/2016	21/11/2016	14/12/2016	30/1/2017	02/3/2017	30/03/2017	
Ms P Pokane	✓	✓	✓	×	×	o	o	o	o	o	o	3 out of 5
Ms M Nkomo	✓	✓	×	✓	✓	✓	o	o	o	o	o	5 out of 6
Prof J Havenga	o	✓	✓	✓	✓	✓	×	✓	✓	✓	×	8 out of 10
Mr M Scott	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11 out of 11
Mr S Khumalo	✓	×	×	✓	✓	✓	✓	✓	✓	✓	✓	9 out of 11
Mr R Baloyi	o	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10 out of 10
Mr M Ramathe	o	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10 out of 10
Mr T Bailey	✓	✓	×	o	o	o	o	o	o	o	o	2 out of 3
Mr S Mngqibisa	×	✓	✓	✓	✓	✓	×	×	✓	✓	o	7 out of 10
Mr L Thekisho	o	✓	✓	✓	✓	×	✓	×	✓	✓	✓	8 out of 10
Ms K Mahlangu	o	✓	✓	×	✓	✓	✓	✓	✓	×	✓	8 out of 10
Ms I Sekonyela	o	✓	✓	✓	✓	✓	✓	✓	✓	×	×	8 out of 10

✓ Present × Apology o Not a member (during period)

4.6. Audit and Risk Committee

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

The Committee meets at least five (5) times annually and as the need arises, a special meeting may be convened.

Table 28: Summary of Audit and Risk Committee Meetings held

MEMBER	DATE									TOTAL ATTENDANCE
	19/4/2016	17/5/2016	20/7/2016	19/10/2016	26/10/2016	8/12/2016	23/01/2017	16/2/2017	22/03/2017	
Ms P Mzizi	✓	✓	✓	✓	✓	✓	✓	✓	✓	9 out of 9
Mr P Fourie	✓	✓	✓	✓	✓	✓	✓	✓	✓	9 out of 9
Mr A Wakaba	✓	✓	×	✓	✓	✓	✓	✓	✓	8 out of 9
Mr M Scott	✓	✓	o	o	o	o	o	o	o	2 out of 2
Mr M Ramathe	o	o	✓	✓	✓	o	o	o	o	3 out of 3
Ms K Mahlangu	o	o	✓	×	✓	✓	✓	×	✓	5 out of 7
Mr S Khumalo	✓	×	✓	×	✓	✓	✓	×	×	5 out of 9

✓ Present × Apology o Not a member (during period)

4.7. Human Resources and Remuneration Committee (REMCO)

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

Table 29: Summary of REMCO Meetings held

MEMBER	DATE								TOTAL ATTENDANCE
	20/6/2016	21/7/2016	20/9/2016	18/10/2016	21/10/2016	08/12/2016	26/01/2017	23/2/2017	
Ms M Nkomo	×	✓	✓	✓	✓	o	o	o	4 out of 5
Ms I Sekonyela	✓	✓	✓	✓	✓	✓	✓	✓	8 out of 8
Mr T Bailey	✓	o	o	o	o	o	o	o	1 out of 1
Mr L Thekisho	✓	✓	×	✓	×	▯	✓	✓	5 out of 8
Mr M Scott	o	o	o	✓	✓	✓	✓	✓	5 out of 5
Mr S Khumalo	×	✓	×	✓	✓	✓	✓	✓	6 out of 8

✓ Present × Apology o Not a member (during period) ▯ Absent

4.8. Procurement Committee

The Committee convenes its meetings when there are tenders above R2million that needs to be awarded. The CFO and the Senior Manager: Supply Chain Management has a standing invitation to the Committee. Additional members with relevant expertise on specific tenders may be invited to present to the Committee.

Table 30: Summary of Procurement Committee Meetings held

MEMBER	DATE 22/03/2017	TOTAL ATTENDANCE
Mr M Scott	✓	1 out of 1
Mr R Baloyi	✓	1 out of 1
Prof J Havenga	×	0 out of 1

✓ Present × Apology

4.9. Regulatory Committee

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

4.9.1. Regulatory Committee meetings

Table 31: Summary of Regulatory Committee Meetings held

MEMBER	21/06/2016	21/09/2016	19/10/2016	09/12/2016	24/01/2017	23/03/2017	TOTAL ATTENDANCE
Ms P Pokane	✓	×	o	o	o	o	1 out of 2
Ms M Nkomo	×	✓	×	o	o	o	1 out of 3
Prof J Havenga	✓	✓	✓	✓	✓	×	5 out of 5
Mr M Scott	✓	✓	✓	✓	✓	✓	6 out of 6
Mr S Khumalo	×	×	×	×	✓	×	1 out of 6
Mr R Baloyi	✓	✓	✓	✓	✓	✓	6 out of 6
Mr M Ramathe	✓	✓	✓	✓	✓	×	5 out of 6
Mr T Bailey	✓	o	o	o	o	o	1 out of 1
Mr L Thekisho	o	×	✓	▯	✓	✓	3 out of 5
Mr S Mngqibisa	✓	✓	×	×	✓	×	3 out of 6

✓ Present × Apology o Not a member (during period) ▯ Absent

4.9.2. Regulatory hearings

Table 32: Summary of Regulatory Hearings Conducted

MEMBER	DATE							TOTAL ATTENDANCE
	18/07/2016	19/07/2016	22/09/2016	27/09/2016	15/11/2016	25/01/2017	15/03/2017	
Ms P Pokane	×	×	×	×	o	o	o	0 out of 4
Ms M Nkomo	✓	✓	✓	o	o	o	o	4 out of 4
Prof J Havenga	✓	✓	×	✓	✓	✓	✓	6 out of 7
Mr M Scott	✓	✓	✓	✓	✓	✓	✓	7 out of 7
Mr S Khumalo	✓	✓	×	×	✓	×	✓	4 out of 7
Mr R Baloyi	✓	✓	✓	✓	✓	✓	✓	7 out of 7
Mr M Ramathe	✓	✓	✓	✓	✓	✓	✓	7 out of 7
Mr S Mngqibisa	✓	✓	✓	✓	✓	✓	✓	7 out of 7
Mr L Thekisho	✓	✓	×	×	✓	✓	×	4 out of 7

✓ Present × Apology o Not a member (during period)

4.10. SOCIAL AND ETHICS COMMITTEE

The Committee has been established by the Board to assist with the oversight of social and ethical matters. The Committee is made of four (4) Non-Executive Directors and the CEO as its members. In the year under review, the duties and the responsibilities of this committee were performed by the ARC and REMCO as contained in the respective Committee charters while the Committee members were undergoing training to enable them to perform their responsibilities and discharge their duties successfully. This Committee will ensure that the Agency upholds its value of socially responsibility and also remains a committed to enhance ethics in the organization.

5. Risk Management

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

The Agency's Board takes the overall responsibility and accountability for risk management. The Board through the Audit and Risk Committee has ensured that management has reviewed key risks, response strategies to manage such risks and monitors the effectiveness of such responses strategies regularly and formally on a quarterly basis. To ensure that risk management is an intrinsic part of decision making process, and that all material risks are considered at all times, risk management is a standing agenda item for Executive Committee (EXCO), Audit and Risk Committee (ARC) and the Board Committee meetings.

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

The Board reviewed current strategic risks to ensure that management has instituted adequate measures to cater for key risk in response to significant changes and to assess the shift in the magnitude of risks and the need for further management action thereof.

Even though management has instituted several risk management measures to mitigate strategic risks which might deter the Agency from achieving its objectives, such measures has not enabled the Agency to achieve all its performance objectives. As such a risk maturity plan is being developed to improve overall risk management philosophy, systems and enhance integrated planning between all the assurance providers with the entity. With regard to execution of the management action plans relating to strategic risks, forty percent (40%) was rated high and sixty percent 60% moderate at the residual exposure level.

6. Internal Controls

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

Furthermore, the internal controls deficiencies are also managed through conducting quarterly systematic reviews, where the Risk Management and Internal Control Unit analyses audit findings and Internal control deficiencies to determine root causes, identify perpetual audit findings and work towards addressing the root causes and come up with preventative, detective and corrective internal control strategies. The Board though the ARC plays an oversight role to ensure that internal and external audit recommendations are attended to and that the response strategies to resolve audit findings are effective and efficient.

Management has made significant improvement in implementing corrective actions plans, eighty-eight (88%) of external audit findings have been resolved and six percent (12%) are in progress/partially addressed. The 12% (two findings) reside in the information technology environment and are in the process of being resolved. Seventy six percent (76%) of the internal audit findings have been fully implemented with twenty four percent (24%) being in progress/partially addressed, and plans are in place to resolve these findings, and in some areas mitigating controls are put in place while pursuing permanent solutions.

7. Internal Audit

The internal audit function falls with the purview of the Audit and Risk Committee (ARC) and it is outsourced to O.M.A Chartered Accountants Inc. that operates according to the agreement that was entered into. Internal audits are performed in accordance with methodology advocated in the "Professional Practice Framework", contained the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors SA. The Internal Audit team operates in terms of the risk based Annual Internal Audit Plan approved by the Audit and Risk Committee. The internal audit reports are considered by the ARC on a quarterly basis and detail the results of internal audit findings with respect to adequacy and effectiveness of internal controls, recommend possible ways in which the management measures could be improved to overcome the identified weaknesses.

The audits conducted during the financial year covered various areas including the audit of performance against predetermined objectives, payroll, supply chain management, travel and accommodation, penalty review and financial discipline review.

8. Compliance with Laws and Regulations

The Agency has developed a compliance universe consisting of all pieces of legislation applicable to the Agency. The Agency monitor's compliance on a quarterly basis, a quarterly report is provided to the ARC and the Board. Remedial actions are recommended should incidence of non-compliance be identified. In addition to the pieces of legislation, the Agency also tracks compliance in terms of the bi-lateral and multi-lateral agreements.

9. Fraud and Corruption

The Agency has adopted a zero tolerance approach to fraud and corruption. Any reports of incidents of fraud and corruption are investigated and where prima facie evidence exists, disciplinary proceedings, prosecution or action aimed at the recovery of any loss suffered is initiated. The whistle blowing policy, Fraud and Corruption Implementation Plan and Anti-Corruption Strategy has been developed and adopted by the Board. The Agency is using the Public Service Commission National Anti-Corruption Hotline number for reporting of fraud and corruption cases. The Board is apprised of Fraud and Corruption cases on a quartely basis.

10. Minimising Conflict of Interest

Disclosure of interest is applicable to Board Members, Executive Managers, Managers and all other employees of the Agency. The Integrity Management Framework and Gifts Policy has been developed and adopted by the Board.

Furthermore the Board Charter deals with matters related to Board and Committee members wherein their interests are dealt with.

11. Code of Conduct

The Board has adopted a Code of Conduct that it reviews on an annual basis. The Code of Conduct sets out the values and behavioural patterns required from the employees and the Board.

12. Company Secretary

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

13. Social Responsibility

Mandela Day Initiative: Plastic View Fire Victims

The Agency celebrated Mandela Day and employees made donations to the community of Plastic View who were victims of a fire outrage. Items like fleece blankets, face cloths, children's clothes, disposable nappies, food stuff, toiletry as well as second hand clothes and shoes for adults and children were donated to the community through the Danneboom Municipality.

14. Audit and Risk Committee Report

We are pleased to present our financial report for the financial year ended 31 March 2017.

Audit and Risk Committee Members and Attendance

The Audit 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, nine (9) meetings were held. The attendance record of different members is as detailed below. Apologies were tendered for meetings not attended. Two members of the Committee (Mr M Ramathe and Mr M Scott) were redeployed from the Committee during the financial year. This redeployment necessitates appointment of new members.

MEMBER	DATE									TOTAL ATTENDANCE
	19/04/2016	17/05/2016	20/07/2016	19/10/2016	26/10/2016	8/12/2016	23/01/2017	16/02/2017	22/03/2017	
Ms P Mzizi	✓	✓	✓	✓	✓	✓	✓	✓	✓	9 out of 9
Mr P Fourie	✓	✓	✓	✓	✓	✓	✓	✓	✓	9 out of 9
Mr A Wakaba	✓	✓	×	✓	✓	✓	✓	✓	✓	8 out of 9
Mr M Scott	✓	✓	o	o	o	o	o	o	o	2 out of 2
Mr M Ramathe	o	o	✓	✓	✓	o	o	o	o	3 out of 3
Ms K Mahlangu	o	o	✓	×	✓	✓	✓	×	✓	5 out of 7

✓ Present × Apology o Not a member (during period)

Audit and Risk Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from sections 51 and 55 of the PFMA and paragraph 3.1.10 and 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 IV 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 Committee is satisfied with the content and quality of quarterly reports prepared and issued by management of the entity during the year under review.

Evaluation of Financial Statements

The Audit 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

Significant progress has been made in the administration and review of risk registers, and approval of relevant policies, systems and frameworks. However, there is a need to focus on requirements of the IT Governance Framework, Business Continuity Plans, and other risk mitigation related imperatives as well as catching up with the requirements per the DPSA ICT Governance framework.

Internal Audit

The Audit 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 performed by O.M.A Chartered Accountants during the course 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;
- Audit on Governance and Compliance;
- Regulatory/Permits review;
- Financial discipline review;
- Human Capital management;
- Supply Chain Management; and
- Facilitation and Industry Development review.

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 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 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 be read together with the report of the Auditor-General.

Ms. P Mzizi CA (SA)
Chairperson
22 May 2017

PART D

HUMAN RESOURCE MANAGEMENT

1. Introduction

The Agency continued to roll-out its Employee Wellness Programmes. C-BRTA employees participated in the Walk the talk during the month of July 2016. Furthermore, the annual employee wellness day was held during November 2016.

Some HR policies were reviewed during the reporting year. For all policies that were reviewed, workshops were conducted to afford employees thorough understanding. For 2016/17, workshops for Regulatory Division were conducted whilst workshops for remaining workforce were deferred to the next financial year.

A Legislative Compliance Committee was established in 2016/17. This committee was established to oversee Skills Development, Employment Equity and Occupational Health and Safety (OHS). For each of these focus areas, sub-committees were established to focus on each of the areas of responsibility. An occupational Health and Safety sub-committee was established in October 2016/17. The sub-committee drafted and concluded a framework for OHS to guide activities during 2017/18 and beyond. Further to that, the entire LCC received training on OHS to boost understanding of concept and enhance successful delivery by the team. The rationale behind training the entire LCC was to boost the ability of LCC to assess work conducted by the sub-committee.

2. Human Resource Oversight Statistics

Table 33: 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)
Office of the Chief Executive Officer	20,050	14,050	70%	13	1,081
Governance and Legal Services	8,357	5,996	72%	8	749
Administration (CIO, HR)	34,062	13,528	40%	25	541
Facilitation and Industry Development	15,786	13,869	88%	21	660
Road Transport Inspectorate	78,360	61,358	78%	149	412
Finance	23,217	14,171	61%	29	489
Regulatory Services	16,307	14,645	90%	36	407
Office of the Chief Operations Officer	1,364	1,110	81%	9	123
Total	**197,503**	**138,727**	**70%**	**290**	**478**

Table 34: Personnel cost by salary band

LEVEL	PERSONNEL EXPENDITURE	% OF PERSONNEL EXP. TO TOTAL PERSONNEL COST	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Top Management	12,507	9.01%	7	1,787
Senior Management	14,351	10.34%	13	1,104
Professional qualified	25,237	18.19%	36	701
Skilled	85,071	61.32%	221	385
Semi-skilled	160	0.12%	1	160
Unskilled	1,401	1.01%	12	117
Total	**138,727**	**100%**	**290**	**478**

Table 35: Training costs

DIRECTORATE/BUSINESS UNIT	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST	NO. OF EMPLOYEES TRAINED	AVERAGE TRAINING COST PER EMPLOYEE
Office of the Chief Executive Officer	14,050	46	0.32%	10	4.60
Governance and Legal Services	5,996	9	0.15%	2	4.50
Administration	13,528	672	4.96%	29	23.17
Facilitation and Industry Development	13,869	71	0.51%	14	5.07
Road Transport Inspectorate	61,358	62	0.09%	115	0.54
Finance	14,171	13	0.09%	11	1.18
Regulatory and Legal Services	14,645	30	0.20%	22	1.36
Office of the Chief Operations Officer	1,110	57	5.13%	1	57.00
Total	**138,727**	**960**	**0.69%**	**204**	**4,71**

As a result of the cost reduction, the training budget was revised and reduced significantly.

Table 36: Employment and vacancies per programme

PROGRAMME	2015/16 NO. OF EMPLOYEES	2016/17 APPROVED POSTS	2016/17 NO. OF EMPLOYEES	2016/17 VACANCIES*	% OF VACANCIES
Administration	77	140	80	60	43%
Facilitation and Industry Development	19	25	15	10	40%
Road Transport Inspectorate	142	195	149	46	24%
Regulatory Service	36	45	36	9	20%
Office of the Chief Operations Officer	7	25	10	15	60%
Total	**281**	**430**	**290**	**140**	**33%**

**** The recruitment for the vacancies has been prioritised and spaced over 3 years.***

Table 37: Employment and vacancies per level

LEVEL	2015/16 NO. OF EMPLOYEES	2016/17 APPROVED POSTS	2016/17 NO. OF EMPLOYEES	2016/17 VACANCIES*	% OF VACANCIES
Top Management	8	9	7	2	22%
Senior Management	12	23	14	9	39%
Professional qualified	36	78	37	41	53%
Skilled	213	307	219	88	29%
Semi-skilled	1	1	1	0	0%
Unskilled	11	12	12	0	0%
Total	**281**	**430**	**290**	**140**	**33%**

* *The recruitment for the vacancies has been prioritised and spaced over 3 years.*

Table 38: Employment changes

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top Management	8	0	1	7
Senior Management	12	3	1	14
Professional qualified	35	1	2	34
Skilled	213	16	7	222
Semi-skilled	0	1	0	1
Unskilled	13	1	1	12
Total	**281**	**21**	**12**	**290**

** Employees promoted to another occupational classifications.*

Table 39: Reasons for staff leaving

SALARY BAND	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Death	1	8.33
Resignation	9	75%
Dismissal	0	0%
Retirement	0	0.%
Ill-health	0	0%
Expiry of contract	2	16.66%
Other	0	0%
Total	**12**	**100%**

Table 40: Labour relations: misconduct and disciplinary action

TABLE 40: LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION	EMPLOYMENT AT END OF THE PERIOD
Verbal Warning	1
Written Warning	3
Final Written Warning	0
Dismissal	0
A year on year reduction on employee relations can be attributed to HR being proactive in handling employee relation matters.	

Table 41: Equity target and employment equity status

LEVELS	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	3	0	1	0	0	0	0	0
Senior Management	6	0	0	0	0	1	2	1
Professional qualified	15	0	1	1	4	0	3	0
Skilled	84	1	4	0	3	0	11	0
Semi-skilled	0	0	0	0	0	0	0	0
Unskilled	2	0	0	0	0	0	0	0
TOTAL	110	1	6	1	7	1	16	1

LEVELS	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	3	1	0	0	0	1	0	2
Senior Management	3	3	0	1	2	0	0	2
Professional qualified	11	5	1	0	0	0	1	2
Skilled	106	4	5	1	1	1	7	4
Semi-skilled	1	0	0	0	0	0	0	0
Unskilled	10	0	0	0	0	0	0	0
TOTAL	134	13	6	2	3	2	8	10

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

PART E

FINANCIAL INFORMATION

Index

The following supplementary information does not form part of the annual financial statements and is unaudited:

Abbreviations

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

Accounting Authority's Responsibilities and Approval

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

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

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

The Accounting Authority acknowledges that they are 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 2018. In light of the Agency having lost the Constitutional Court matter in 2015 that compelled it to refund some Cross Border Road Transport Operators a portion of their permit fees from the permit revenue collected between April 2011 and November 2013, the balance of its liabilities exceed assets. The Agency is a public entity created by an Act of Parliament (Cross Border Road Transport 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. Further, the Agency has developed a plan to ensure that it remains a going concern and has engaged in cost containment measures and taken measures to conserve generated cash to refund Cross Border Road Transport Operators who claim refunds following the the Constitutional Court judgement (against the Agency) of 2015. 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 refunds have been on-going, and the Accounting Authority believes that the financial position is sustainable.

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 3.

The annual financial statements set out on pages 3 to 51, which have been prepared on the going concern basis, were approved by the Accounting Authority on 28 July 2017 and were signed on its behalf by:

Mr M Ramathe
Chairperson of the Board
Pretoria

Mr S G Khumalo
Chief Executive Officer
Pretoria

Report on the Financial Statements

Opinion

1. I have audited the financial statements of the Cross Border Road Transport Agency set out on pages 75 to 112, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Cross Border Road Transport Agency as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

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

Material uncertainty related to going concern

6. I draw attention to Note 29 in the financial statements, which indicates that the entity's total liabilities exceeded its total assets by R189 061 552. As stated in Note 29, these events or conditions, along with other matters as set forth in Note 25, indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Emphasis of matter

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

Uncertainty relating to the future outcome of exceptional litigation

8. With reference to note 25 to the financial statements, the entity is the defendant in a litigation matter pertaining to the 2014 Permit tariffs Regulations. The entity is opposing the application for the setting aside of these Regulations. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Events after the reporting date

9. With reference to note 30 to the financial statements, on 1 April 2017 the Agency transferred its Law Enforcement Division (Road Transport Inspectorate) to the Road Traffic Management Corporation (RTMC) in April 2017.

Responsibilities of Accounting Authority

10. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting authority is responsible for assessing the Cross Border Road Transport Agency's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer accounting authority either intends to liquidate the Public entity or to cease operations, or has no realistic alternative but to do so.

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

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report of the Auditor-General to Parliament on Cross-Border Transport Agency (cont)

13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the Public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 2 – Regulatory services	34 – 36
Programme 3 – Road Transport Inspectorate	38
Programme 4 – Facilitation and Industry Development	42
Programme 5 – Office of the CEO	46

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:
    - Programme 2 – Regulatory services
    - Programme 3 – Road Transport Inspectorate
    - Programme 4 – Facilitation and Industry development
    - Programme 5 – Office of the CEO

Other matter

19. I draw attention to the matter below.

Achievement of planned targets

20. Refer to the annual performance report on page(s) 34 to 47 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets.

Report on audit of compliance with legislation

Introduction and scope

21. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
22. I did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Other information

23. The Cross Border Road Transport Agency's accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
24. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

    In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

25. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

Other reports

26. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
27. An independent consultant was investigating an allegation of fraudulent and corrupt practices and activities relating to the issuing of Cross Border permits at the request of the entity. The entity is still in the process of reviewing the findings identified.

Auditor General

Pretoria
31 July 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
3. identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
4. obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
5. evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
6. conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Cross Border Road Transport Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease to continue as a going concern.
7. evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

Statement of Financial Position as at 31 March 2017

	NOTE(S)	2017 R	2016 R
Assets			
Current Assets			
Receivables from exchange transactions	6	1,565,143	1,134,487
Receivables from non-exchange transactions	7	1,067,497	1,381,853
Cash and cash equivalents	8	63,906,034	112,235,379
		66,538,674	**114,751,719**
Non-Current Assets			
Property, plant and equipment	3	7,698,663	8,491,941
Intangible assets	4	248,529	627,223
		7,947,192	**9,119,164**
Total assets		**74,485,866**	**123,870,883**
Liabilities			
Current liabilities			
Operating lease liability		159,555	299,266
Payables from exchange transactions	10	23,365,110	12,755,613
Provisions (non-exchange transactions)	11	196,706,187	267,471,128
Payables (non-exchange transactions)	12	26,539,809	47,195,935
Provisions	9	6,593,717	13,852,139
		253,364,378	**341,574,081**
Non-current liabilities			
Employee benefit obligation	5	2,612,000	2,632,000
Total liabilities		**255,976,378**	**344,206,081**
Net assets		**(181,490,512)**	**(220,335,198)**
Net assets			
Accumulated deficits		**(181,490,512)**	**(220,335,194)**

Statement of Financial Performance as at 31 March 2017

	NOTE(S)	2017 R	2016 R
Revenue	13	221,688,591	222,803,251
Other income	14	8,000,771	2,141,024
Operating expenses		(197,267,708)	(194,559,237)
Operating surplus / (deficit)	16	**32,421,654**	**30,385,038**
Interest received	19	6,685,033	6,571,921
Finance and interest costs	20	(262,000)	(1,614,930)
Surplus for the year		**38,844,687**	**35,342,029**

Statement of Changes in Net Assets

	ACCUMULATED DEFICIT R	TOTAL NET ASSETS R
Balance at 01 April 2015	**(255,677,226)**	**(255,677,226)**
Changes in net assets		
Surplus for the year	35,342,029	35,342,029
Total changes	35,342,029	35,342,029
Balance at 01 April 2016	**(220,335,199)**	**(220,335,199)**
Changes in net assets		
Surplus for the year	38,844,687	38,844,687
Total changes	38,844,687	38,844,687
Balance at 31 March 2017	**(181,490,512)**	**(181,490,512)**

Cash Flow Statement

	NOTE(S)	2017 R	2016 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		221,834,543	225,429,686
		221,834,543	225,429,686
Payments			
Employee costs		(136,948,377)	(136,728,657)
Suppliers		(53,823,700)	(59,873,138)
Permit refunds		(84,608,240)	(30,457,759)
		(275,380,317)	(227,059,554)
Net cash flows from operating activities	23	**(53,545,774)**	**(1,629,868)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1,379,211)	(1,118,838)
Purchase of other intangible assets	4	(89,393)	(145,994)
Interest income		6,685,033	6,571,921
Net cash flows from investing activities		**5,216,429**	**5,307,089**
Cash flows from financing activities			
Finance costs and Interest paid		-	(446,930)
Net increase/(decrease) in cash and cash equivalents		**(48,329,345)**	**3,230,291**
Cash and cash equivalents at the beginning of the year		112,235,379	109,005,093
Cash and cash equivalents at the end of the year	8	**63,906,034**	**112,235,379**

Statement of Comparison of Budget and Actual Amounts

BUDGET ON ACCRUAL BASIS	APPROVED BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL AMOUNTS ON COMPARABLE BASIS R	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL R	REFERENCE
Statement of Financial Performance						
Revenue						
Revenue from non-exchange transactions						
Permit issue fees	158,945,993	-	**158,945,993**	155,758,901	**(3,187,092)**	**Comment (a)**
Permit application fees	42,251,467	-	**42,251,467**	40,499,700	**(1,751,767)**	**Comment (a)**
Other income	-	-	**-**	8,000,771	**8,000,771**	**Comment (c)**
Interest received - investment	1,238,491	-	**1,238,491**	6,685,033	**5,446,542**	**Comment (c)**
Total permit revenue and interest	**202,435,951**	**-**	**202,435,951**	**210,944,405**	**8,508,454**	
Penalty income						
Fines	36,476,681	**-**	**36,476,681**	25,429,990	**(11,046,691)**	**Comment (b)**
Total revenue	238,912,632	**-**	**238,912,632**	**236,374,395**	**(2,538,237)**	
Expenditure						
Personnel	(165,921,167)	-	**(165,921,167)**	(138,723,409)	**27,197,758**	**Comment (d)**
Relocation expenses	(680,000)	-	**(680,000)**	(15,999)	**664,001**	
Depreciation and amortisation	(7,720,743)	-	**(7,720,743)**	(2,549,336)	**5,171,407**	**Comment (i)**
Finance costs and interest expense	-	-	**-**	(262,000)	**(262,000)**	
Lease rentals on operating lease	(10,403,000)	-	**(10,403,000)**	(9,685,506)	**717,494**	
Impairment of receivables	-	-	-	(90,978)	**(90,978)**	
Document storage	(200,000)	-	**(200,000)**	(236,745)	**(36,745)**	
Repairs and maintenance	(350,000)	-	(350,000)	(214,893)	**135,107**	
General Expenses	(53,637,722)	-	**(53,637,722)**	(45,725,436)	**7,912,286**	
Total expenditure	**(238,912,632)**	**-**	**(238,912,632)**	**(197,504,302)**	**41,408,330**	
Operating surplus	-	-	-	**38,870,093**	**38,870,093**	
Assets written-off and impaired	-	-	-	(25,406)	**(25,406)**	
Surplus before taxation	**-**	**-**	**-**	**38,844,687**	**38,844,687**	
Actual Amount on Comparable Basis as Presented in the Budget Comparative Statement	**-**	**-**	**-**	**38,844,687**	**38,844,687**	

Supplementary Information to the Budget and Actual Amounts

	ACTUAL	BUDGET	VARIANCE	COMMENT REFERENCE
Income and Operating expenditure				
Permit revenue	196,304,900	201,197,460	(4,892,560)	Comment (a)
Penalty revenue	25,392,690	36,476,681	(11,083,991)	Comment (b)
Other income	8,000,771	-	8,000,771	Comment (c)
Interest received	6,685,033	1,238,491	5,446,542	Comment (c)
Employee costs	(138,723,409)	(165,921,167)	27,197,758	Comment (d)
Training and development	(960,251)	(894,000)	(66,251)	
Internal audit	(800,340)	(2,283,500)	1,483,160	Comment (e)
External audit	(2,337,635)	(3,110,000)	772,365	Comment (e)
Travel and accomodation	(17,525,164)	(16,063,851)	(1,461,313)	Comment (f)
Printing & stationery	(2,460,376)	(2,016,000)	(444,376)	
Consulting costs	(1,136,114)	(1,400,000)	263,886	Comment (g)
Legal fees	(935,312)	(6,758,697)	5,823,385	Comment (g)
Settlement (migration) costs	(3,980,000)	-	(3,980,000)	Comment (g)
Cleaning and Office supplies	(399,020)	(828,520)	429,500	Comment (f)
Advertising, marketing & rebranding	(587,015)	(1,302,620)	715,605	Comment (h)
Telephone and postage and courier	(1,859,175)	(2,813,209)	954,034	
IT expenses	(2,351,777)	(2,709,260)	357,483	
Operating leases	(9,685,506)	(10,403,000)	717,494	
Water & Electricity	(1,265,655)	(1,302,987)	37,332	
Other operating costs	(9,982,622)	(13,385,078)	3,402,456	Comment (i)
Depreciation & amortisation	(2,549,336)	(7,720,743)	5,171,407	Comment (j)
	38,844,687	**-**	**38,844,687**	
Capital expenditure				
Property, plant and equipment	(1,379,211)	(1,720,743)	341,532	Comment (k)
Intangible assets	(89,393)	(6,000,000)	5,910,607	Comment (k)
	(1,468,604)	**(7,720,743)**	**6,252,139**	

a) Permit Revenue

The Agency had anticipated a permit tariff review in line with the Consumer Price Index, however the proposal did not materialise during the financial year under review, consequently leading to the Agency missing its budget targets by 2%.

b) Penalty Revenue

Due to an improved presence in the corridors, the rate of compliance was higher and number of prosecutions lower than anticipated by the budget figures hence the shortfall. There was also a noted reduction in operator activity especially on the North-South corridor, a result of import restrictions by Zimbabwe.

c) Other Income and Interest Received:

The Agency managed to re-negotiate non-payment of some 5 year permit refunds. These were not budgeted for. Interest earned was above budget due to the cash (and cash equivalents) balances that were significantly above the projected balances during the period of budgeting. The Agency also earned higher rates on its investments than had been anticipated.

d) Staff costs:

These are made up of gross remuneration, pension contributions, the 13th cheque sacings, medical costs, UIF, and other staff related costs. Overall, R27.2 million was saved on staff costs due to some funded positions that were not filled as well as resignations that were filled by staff in acting capacities. A reversal of R7,6 million on performance bonuses also helped reduce the employee costs overall.

e) Audit fees:

Efficiencies were realised in both internal and external audits during the year.

f) Travel and accommodation expenses:

Employee travel was marginally above budget, this was due to the frequency of law-enforcement activities especially in the first half of the year. Savings were realised in cleaning by termination of outsourced contracts and intoducing some in-sourcing, employing the cleaners at regional offices directly.

g) Consulting, Legal and Migration costs:

Savings on consulting fees and professional services were 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 and some research projects). Legal fees were lower than budgeted due to the lower number of legal matters handled during the year.

A once-ff payment was made to Law Enforcement unit to settle the withdrawal of car claims regime. Affected employees were transferred (migrated) to RTMC on the 1st of April 2017.

h) Marketing costs:

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

i) Other Operating expenses:

Other operating expenses relate to cost drivers such as staff wellbeing costs, recruitment, relocation expenses and other discretionary expenses that were reduced significantly to save costs. The Agency saved R3, 4 million as a result of such cost cutting measures.

j) Depreciation and amortisation:

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

k) Capital expenditure:

Reprioritisation of expenditure as well as the need for an enterprise architecture led to delays in the acquisition of the new permit system, and instead focus on building the Enterprise Architecture first.

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. In line with GRAP 23, it is treated as revenue from non-exchange transactions.

Defined benefit obligations

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

Fair value

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

Use of estimates and judgements

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

Judgements

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

Estimates

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

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

These accounting policies are consistent with the previous period.

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 Agency 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 made accordingly.

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.

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

Accounting Policies (cont.)

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

Allowance for doubtful debts

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

The 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.

The Agency assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

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

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

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

Accounting Policies (cont.)

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

1.7 Financial instruments

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates..

Liquidity risk is the risk encountered by the Agency in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

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

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

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

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

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

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

Classification

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

Class	**Category**
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
Receivables due from receiver of revenue	Financial asset measured at amortised cost

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

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

Accounting Policies (cont.)

Initial recognition

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

The Agency recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Reclassification

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The 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.

Derecognition

Financial assets

The Agency derecognises financial assets using trade date accounting.

The Agency derecognises a financial asset only when:

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

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

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

Financial liabilities

The Agency removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished —
i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

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

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

Presentation

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

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

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

Distributions to holders of residual interests (if any) are recognised by the Agency directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets.

Accounting Policies (cont.)

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

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

Receivables from non exchange transactions

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

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

Payables from exchange transactions

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

Cash and cash equivalents

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

1.8 Tax

Current tax assets and liabilities

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

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

1.9 Leases

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.10 Inventories

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

1.11 Segment information

The Agency is organised and reports to management on the basis of eight (8) functional areas including; Facilitation and Industry Development, Road Transport Inspectorate, Regulatory Services as well as the support and administration functions. Whilst these functional areas are treated as cost centres for the purposes of cost control and resource allocation, the existing set up and operations do not warrant segmental reporting.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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.

Accounting Policies (cont.)

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

Reversal of an impairment loss

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

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

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

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

1.13 Employee benefits

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 Agency 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.

Accounting Policies (cont.)

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.

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.

1.14 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 25.

1.15 Commitments

Items are classified as commitments when the Agency has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the Agency – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

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

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

Courier and priority mail

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

Accounting Policies (cont.)

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

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.

1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

Penalty revenue
Penalties are economic benefits received by entities / agencies as determined by a court or other law enforcement body as a consequence of the breach of laws or regulations. Revenue from penalty income is recognised when 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 entity 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.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by the Agency in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

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

1.120 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.

1.21 Irregular expenditure

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

(a) 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.

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.

1.22 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.

Accounting Policies (cont.)

1.23 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.

1.24 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 the 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 01/04/2016 to 31/03/2017.
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 33.

1.25 Related parties

TThe 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.

1.26 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 attention of users of financial statements.

2. New standards and interpretations

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

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

STANDARD/ INTERPRETATION	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT
GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The impact of the changes is not material.

2.2 Standards and interpretations issued, but not yet effective

The Agency is yet to apply the following standards and interpretations, which have been published and are mandatory for the Agency's accounting periods beginning on or after 01 April 2017 or later periods:

STANDARD/ INTERPRETATION	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT
GRAP 109: Accounting by Principals and Agents	01 April 2017	Not expected to impact results but may result in additional disclosure
GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	Unlikely there will be a material impact
GRAP 108: Statutory Receivables	01 April 2017	Unlikely there will be a material impact

Notes to the Annual Financial Statements (cont.)

3. Property, plant and equipment

	2017			2016		
	COST/VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST/VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Furniture and fixtures	4,612,092	(1,943,843)	2,668,249	4,596,092	(1,677,943)	2,918,149
Office equipment	3,924,625	(2,428,522)	1,496,103	3,862,166	(1,805,189)	2,056,977
Computer equipment	8,673,177	(5,638,472)	3,034,705	8,061,884	(5,171,148)	2,890,736
Leasehold improvements	6,720,877	(6,577,626)	143,251	6,720,877	(6,527,067)	193,810
Motor Vehicles	801,214	(494,657)	306,557	793,634	(416,004)	377,630
Signage	79,475	(29,677)	49,798	79,475	(24,836)	54,639
Total	**24,811,460**	**(17,112,797)**	**7,698,663**	**24,114,128**	**(15,622,187)**	**8,491,941**

Reconciliation of property, plant and equipment - 2017

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

Reconciliation of property, plant and equipment - 2016

	OPENING BALANCE	ADDITIONS	DISPOSALS	DE-RECOGNITION (IMPAIRED)	DEPRECIATION	TOTAL
Furniture and fixtures	3,324,441	84,007	(10,934)	(19,792)	(459,573)	2,918,149
Office equipment	2,366,754	468,112	(2,302)	19,792	(795,379)	2,056,977
Computer equipment	3,153,628	245,350	(47,884)	(5,769)	(454,589)	2,890,736
Leasehold improvements	426,382	-	-	-	(232,572)	193,810
Motor Vehicles	204,276	321,369	-	-	(148,015)	377,630
Signage	59,631	-	-	-	(4,992)	54,639
	9,535,112	**1,118,838**	**(61,120)**	**(5,769)**	**(2,095,120)**	**8,491,941**

4. Intangible assets

	2017			2016		
	COST/VALUATION	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST/VALUATION	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Computer software	**4,802,471**	**(4,553,942)**	**248,529**	**4,713,078**	**(4,085,855)**	**627,223**

Reconciliation of intangible assets - 2017

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

Reconciliation of intangible assets - 2016

	OPENING BALANCE	ADDITIONS	AMORTISATION	TOTAL
Computer software	1,193,987	145,994	(712,758)	627,223

5. Employee benefit obligations

Defined benefit plan

The plan and liability is with respect to members currently employed as well as existing continuing members who are no longer in the employ of the Agency who qualify for continuation health care costs. The employees receive a fixed subsidy of R2, 195 per month towards their medical aid subscriptions, regardless of the member's marital status, number of children or the medical aid the member belongs to. The subsidy amount will only increase when the government increases the capped amount.

Post retirement medical aid plan

The Agency has in place a post employment medical benefit plan to which 15 members **(2016:17 members)** belong. It is made up of members of the Government Employee Medical Scheme as well as Medihelp. The Agency's contribution is limited to a monthly contribution of R2,195 per person per month **(2016: R2,017).** Medical inflation is expected to exceed general inflation by 3% per annum.

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

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

	2017 R'000	2016 R'000
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(2,632,000)	(1,634,000)
Present value of the defined benefit obligation-partly or wholly funded	20,000	(998,000)
	(2,612,000)	**(2,632,000)**

The valuation results show a liability in respect of accrued service equal to R2,612,000 **(2016: 2,632,000).** Total interest cost and service costs for the period from 1 April 2016 to 31 March 2017 were R262,000 and R10,000 respectively. The liability is a long term estimation of amounts due from the Agency towards its obligation (subsidy) to the affected members. There are no plan assets to meet the obligation. The contribution by the employer towards the 15 employees is limited to R2,195 per retired employee per month.

Notes to the Annual Financial Statements (cont.)

	2017 R'000	2016 R'000
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	(2,632,000)	(1,634,000)
Benefits paid	214,000	175,000
Net expense recognised in the statement of financial performance	(194,000)	(1,173,000)
	(2,612,000)	**(2,632,000)**
Net expense recognised in the statement of financial performance		
Current service cost	(10,000)	(5,000)
Interest cost	(262,000)	(137,000)
Actuarial losses / (gains)	78,000	(1,031,000)
	(194,000)	**(1,173,000)**
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	9.80%	9.91 %
Medical cost trend rates	10.34 %	10.87 %
Expected increase in salaries	7.34 %	7.87 %

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

	2017 R'000	2016 R'000
Deposits, prepayments and advances	**1,565,143**	**1,134,487**

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

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

7. Receivables from non-exchange transactions

	2017 R'000	2016 R'000
Penalty revenue	2,438,468	2,395,350
Other receivables	106,143	441,297
Staff debtors	88,614	19,956
Provision for impairment	(1,565,728)	(1,474,750)
	1,067,497	**1,381,853**

Penalty revenue receivables are fines due from courts, whilst staff debtors relate to salary advances taken in the last month of the financial year. Other receivables are amounts due from the Receiver of Revenue and payments due from some Cross Border Road Transport Operators.

Credit quality of trade and other receivables

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

Receivables from non-exchange transactions

Impairments

As of 31 March 2017, an additional trade and other receivables impairment of R90,978 (**2016: 103,800** was reversed) was provided for impairment. The overall provision balance was therefore increased from R1, 474,750 to R1, 565,728 for the year under review.

The impaired debtors were outstanding for more than 12 months.

Reconciliation of provision for impairment of receivables from non-exchange transactions

	2017 R'000	2016 R'000
Opening balance	1,474,750	1,578,550
Provision for impairment	90,978	(103,800)
	1,565,728	**1,474,750**

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

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

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017 R'000	2016 R'000
Cash on hand	20,000	20,000
Bank balances	16,605,396	20,244,868
Short-term deposits	47,280,638	91,970,511
	63,906,034	**112,235,379**

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

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

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

9. Provisions

Reconciliation of provisions - 2017

	OPENING BALANCE	ADDITIONS	UTILISED DURING THE YEAR	REVERSED DURING THE YEAR	MOVED TO PAYABLES	TOTAL
Provision for staff performance bonuses	13,852,139	6,593,716	(167,980)	(7,571,040)	(6,113,118)	**6,593,717**

Reconciliation of provisions - 2016

	OPENING BALANCE	ADDITIONS	UTILISED DURING THE YEAR	TOTAL
Provision for staff performance bonuses	12,739,021	5,808,810	(4,695,692)	**13,852,139**

The staff performance bonus provision was provided at a maximum of 6% (**2016: 6%**) of gross basic remuneration for the year ended March 2017. Performance bonus is payable to qualifying employees. R13,8 million relating to the prior financial years (March 2015 and March 2016) was adjusted accordingly, following a board's decision not to pay bonuses relating to the financial year ended March 2015 and utilise the provision for the year ended March 2016 in its entirity to pay deserving staff.

Notes to the Annual Financial Statements (cont.)

10. Payables from exchange transactions

	2017 R'000	2016 R'000
Trade payables	4,901,531	2,432,308
Accrued leave pay	7,104,103	6,290,918
Accrued bonus	6,312,872	1,396,826
Workman's compensation accrual	690,210	1,216,889
Other accrued expenses	525,490	1,418,672
Statutory deductions	3,830,904	-
	23,365,110	**12,755,613**

11. Provisions (non-exchange)

	2017 R'000	2016 R'000
Permit fees claimable	196,706,187	267,471,128

The provision relates to amounts due to Operators following the Constitutional Court judgement of 2015. A decision was taken to refund some Cross Border Road Transport Operators. The amounts were yet to be claimed by the end of the financial year.

12. Payables (non-exchange transactions)

	2017 R'000	2016 R'000
Permit and penalty fees refundable	**26,539,809**	**47,195,935**

Payables relate to the claims made by some of the Cross Border Road Transport Operators by the end of the financial year. Arrangements and terms for refunds have been agreed. R5,7 million **(2016: R5 million)** of the total balance was deposits made in advance by the Operators.

13. Revenue

	2017 R'000	2016 R'000
Permit issue fees	155,758,901	151,201,010
Permit application fees	40,499,700	39,667,341
Penalty income	25,429,990	31,934,900
	221,688,591	**222,803,251**
The amount included in revenue arising from non exchange permit issuance transactions is broken down as follows:		
Permit issue fees	155,758,901	151,201,010
Permit application fees	40,499,700	39,667,341
	196,258,601	**190,868,351**
The amount included in revenue arising from non-exchange penalty transactions is as follows:		
Fines		
Penalty revenue	25,429,990	31,934,900

14. Other Income

	2017 R'000	2016 R'000
Postage, administrative and general item charges	142,638	411,266
Donations received	-	20,000
Actuarial losses	78,000	-
Insurance refunds	119,614	-
Refundable penalties (PAYE)	-	339,608
Refundable claims (5 year permits)	7,660,519	1,370,150
	8,000,771	**2,141,024**

15. General expenses

	2017 R'000	2016 R'000
Advertising, publicity, marketing and branding	587,015	164,881
Audit fees (note 21)	3,137,975	3,863,418
Bank charges	1,667,020	1,511,829
Cleaning & Office supplies	399,020	246,043
Consulting and legal fees	2,071,426	3,613,710
Catering and employee wellbeing	636,764	915,055
Corporate gifts and donations	197,485	416,091
Insurance	185,251	212,993
Conferences and seminars	391,089	486,994
IT expenses	2,351,777	1,981,255
Resource materials, magazines, books and periodicals	27,162	873
Motor vehicle expenses	734	3,822
Placement fees	314,927	538,852
Printing and stationery	2,460,376	2,426,351
Security	424,877	360,915
Staff welfare	277,543	188,564
Subscriptions, publications and membership fees	2,267,221	1,780,874
Telephone, cellphones and fax	4,088,523	4,736,536
Training and development	960,251	1,333,713
Travel and accommodation expenses	17,525,164	16,568,680
Small tools	7,357	18,902
Electricity and water	1,265,655	1,191,860
Uniforms	498,824	39,897
Settlement costs and other	3,982,000	-
	45,725,436	**42,602,108**

The amount for consulting and legal fees is made up of legal costs (R935,312) and consulting (R1,136,114) whilst the Settlement costs paid on migration of the Law Enforcement function to the RTMC amount to R3,980,000.

16. Operating surplus

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

	2017 R'000	2016 R'000
Operating lease charges		
Premises		
Contractual amounts	9,685,506	9,338,645
Assets written off and impaired assets	(25,406)	(61,120)
Amortisation on intangible assets	468,087	712,758
Depreciation on property, plant and equipment	2,081,249	2,095,121
Employee costs	138,723,409	139,206,721

17. Employee related costs

	2017 R'000	2016 R'000
Basic salaries	108,710,667	103,311,005
Performance bonus (note 9)	(977,324)	5,808,810
Medical aid - company contributions	5,438,019	5,002,911
Unemployment Insurance Fund	525,695	527,703
Workman's Compensation	473,167	524,176
Leave pay provision charge	1,094,336	970,932
Pension and provident fund contribution	15,716,171	15,094,214
Long-service awards	499,014	353,555
13th cheques	4,790,612	4,933,670
Car allowance	2,054,034	2,259,297
Danger allowance	325,482	345,912
Night shift allowance	73,536	74,536
	138,723,409	**139,206,721**

Notes to the Annual Financial Statements (cont.)

18. Debt impairment

	2017 R'000	2016 R'000
Debt impairment / (reversal)	90,978	(103,800)

Impairment amount is made up of provisions for long outstanding court remittences due to the Agency. The amount expensed is the increase in the financial year under review.

19. Investment revenue

	2017 R'000	2016 R'000
Interest income		
Bank	6,685,033	6,571,921

The Agency has cash investments yielding an average of 7,5% **(2016: 6%)** per annum.

20. Finance and interest costs

	2017 R'000	2016 R'000
Interest charges	-	446,930
Finance costs	262,000	137,000
Actuarial gains	-	1,031,000
	262,000	**1,614,930**

21. Auditors' remuneration

	2017 R'000	2016 R'000
External audit	2,337,635	2,184,959
Internal audit	800,340	1,678,459
	3,137,975	**3,863,418**

22. Operating lease

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

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

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

	2017 R'000	2016 R'000
Operating lease liability		
Lease accrual	**159,555**	**299,266**

23. Cash (used in) / generated from operations

	2017 R'000	2016 R'000
Surplus	38,844,687	35,342,029
Adjustments for:		
Depreciation and amortisation	2,549,336	2,807,879
De-recognition of non-current assets	25,406	66,888
Finance costs and interest charges	-	446,930
Interest income	(6,685,033)	(6,571,921)
Debt impairment	90,978	(103,800)
Movements in operating lease assets and accruals	(139,711)	202,105
Movements in retirement benefit assets and liabilities	(20,000)	998,000
Movements in provisions	(7,258,422)	1,113,118
Disposal of Assets	65,833	
Changes in working capital:		
Receivables from exchange transactions	(430,656)	99,329
Increase in impairments	(90,978)	103,800
Other receivables from non-exchange transactions	314,356	553,097
Payables from exchange transactions	10,609,497	(2,659,395)
Provisions (non-exchange transactions)	(70,764,941)	(81,223,862)
Payables (non-exchange transactions)	(20,656,126)	47,195,935
	(53,545,774)	**(1,629,868)**

24. Commitments

Authorised capital expenditure

	2017 R'000	2016 R'000
Already contracted for but not provided for		
Property, plant and equipment	-	61,605
Total capital commitments		
Already contracted for but not provided for	-	61,605

Authorised operating expenditure

	2017 R'000	2016 R'000
Already contracted for but not provided for		
- General expenses	2,863,879	5,513,355
- Internal Audit	1,753,778	2,554,118
	4,617,657	**8,067,473**
Total operational commitments		
Already contracted for but not provided for	**4,617,657**	**8,067,473**
Authorised operating expenditure		
Minimum lease payments due		
- within one year	10,421,212	6,999,093
- in second to fifth year inclusive	20,148,369	149,878
	30,569,581	**7,148,971**

Operating lease payments represent rentals payable by the Agency for certain of its office space. 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.

Notes to the Annual Financial Statements (cont.)

25. 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 by the Agency. The litigants allege that the Agency has acted unlawfully in impounding their vehicles and are seeking compensation for the loss of income as well as wrongful arrest. The litigants are seeking R10,7 million (plus legal costs) from the Agency.
The Agency's lawyers and management consider the likelihood of the action against the Agency being successful as unlikely.

Certain employees have made claims against the Agency for breach of contract and have made a claim of R51,7 million (plus legal costs) as compensation. The Agency has filed a notice to oppose. The Agency believes that the chances of the applicants succeeding are unlikely.
Another employee has also filed a claim of defamation against the Agency and is claiming R800,000 (plus legal costs). The matter is also being opposed and the Agency's lawyers are confident the matter will be dismissed.

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

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

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

Contingent assets

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

26. Related parties

	2017 R'000	2016 R'000
Related party balances		
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Government Printing Works	-	(5,257)
Related party transactions		
Department of Justice and Constitutional Development	245,784	146,852
Government Printing Works	449,363	253,565

The Department of Justice provides legal services to the Agency through the State Attorney from time to time, whilst the Government Printers supplies sensitive stationery and gazetting. The two are national public entities and were set up to provide services to government agencies and departments like the Cross Border Road Transport Agency.

No transactions were entered into with the Department of Transport and any of the entities reporting to the Department during the period under review.

27. Key Management Information (Directors' emoluments)

Non-Executive

	EMOLUMENTS	RE-IMBURSIVE EXPENDITURE	TOTAL
2017			
Mr. M Ramathe (Chairperson - appointed 01 May 2016)	160,626	12,353	172,979
Ms. MMD Nkomo (resigned 31 October 2016)	92,870	5,890	98,760
Ms. P Pokane (resigned 30 September 2016)	97,228	6,566	103,794
Mr. TA Bailey (retired 30 June 2016)	52,745	3,660	56,405
Mr. RD Baloyi (appointed 01 May 2016)	145,939	11,106	157,045
Prof JH Havenga (appointed 01 May 2016)	145,939	4,736	150,675
Mr. WB Smith (resigned 01 April 2016)	-	347	347
Mr. MCT Scott	159,206	24,084	183,290
Mr. LL Thekisho (appointed 01 May 2016)	145,939	8,970	154,909
Ms. KS Mahlangu (appointed 01 May 2016)	145,939	5,346	151,285
Ms. DI Sekhonyela (appointed 01 May 2016)	145,939	-	145,939
	1,292,370	**83,058**	**1,375,428**

	EMOLUMENTS	REIMBURSIVE EXPENDITURE	TOTAL
2016			
Ms. P Pokane (Chairperson)	189,713	19,210	208,923
Ms. MMD Nkomo	155,324	6,246	161,570
Mr. AN Mhlongo (resigned 30 June 2015)	36,807	6,494	43,301
Mr. TA Bailey	155,324	9,312	164,636
Adv SC Letele (resigned 30 September 2015)	73,613	2,465	76,078
Mr. WB Smith	155,324	10,873	166,197
Mr. MCT Scott	155,324	18,150	173,474
Mr. AG Noah (resigned 31 July 2015)	49,075	5,266	54,341
Mr. RC Masemola (appointed 01 September 2015 and retired 30 November 2015)	38,831	493	39,324
Mr. JE Mabhida (appointed 01 September 2015 and retired 23 January 2016)	64,718	2,398	67,116
Mr. BC Deysel (appointed 01 September 2015 and resigned 28 January 2016)	64,718	13,707	78,425
Mr. SAC Setsubi (appointed 01 September 2015 and retired 30 November 2015)	38,831	5,685	44,516
	1,177,602	**100,299**	**1,277,901**

Notes to the Annual Financial Statements (cont.)

Remuneration of Executive Management

	ANNUAL REMUNERATION	TRAVEL, CAR AND CELLPHONE ALLOWANCE	PERFORMANCE BONUS AND VARIABLE PORTION	ACTING ALLOWANCES AND OTHER PAYMENTS	TOTAL
2017					
Chief Executive Officer	2,555,406	65,316	167,980	35,896	2,824,598
Executive: Road Transport Inspectorate	1,829,952	71,988	-	182,317	2,084,257
Executive: Regulatory Services	1,799,280	44,232	-	60,584	1,904,096
Chief Financial Officer (contract expired 31 January 2017)	1,499,400	100,380	-	43,641	1,643,421
Chief Operating Officer (appointed 01 February 2017)	325,279	20,076	-	-	345,355
Executive: Human Resources (resigned 31 October 2016)	882,000	15,983	-	170,404	1,068,387
Executive: Facilitation and Industry Development	1,746,792	29,628	-	155,274	1,931,694
Executive: Corporate Governance (acted as Human Resources Executive from 01 November 2016)	1,589,834	24,066	-	71,745	1,685,645
Chief Information Officer	1,715,580	87,300	-	22,269	1,825,149
	13,943,523	**458,969**	**167,980**	**742,130**	**15,312,602**

	ANNUAL REMUNERATION	TRAVEL, CAR AND CELLPHONE ALLOWANCE	PERFORMANCE BONUS AND VARIABLE PORTION	ACTING ALLOWANCES AND OTHER PAYMENTS	TOTAL
2016					
Chief Executive Officer	2,366,117	65,316	155,681	88,925	2,676,039
Executive: Road Transport Inspectorate	1,637,815	71,988	-	29,741	1,739,544
Executive: Regulatory Services	1,369,635	120,923	-	92,219	1,582,777
Chief Financial Officer	1,361,912	120,456	-	3,023	1,485,391
Chief Operating Officer (resigned 26 June 2015)	495,187	107,823	-	43,212	646,222
Executive: Human Resources (appointed 01 July 2015)	882,539	20,549	-	23,975	927,063
Executive: Facilitation and Industry Development (appointed 01 May 2015)	1,245,113	27,159	51,695	46,221	1,370,188
Acting Executive: Facilitation and Industry Development	70,696	1,000	-	43,020	114,716
Executive: Corporate Governance (acted as Human Resources in April 2015)	1,452,840	24,066	-	13,372	1,490,278
Chief Information Officer	1,256,855	87,300	-	21,737	1,365,892
	12,138,709	**646,580**	**207,376**	**405,445**	**13,398,110**

Service contracts

The Executive Managers are subject to written employment agreements. The employment agreements regulate the duties, remuneration, allowances, restraints, leave and notice periods of these executives. None of these service contracts exceed five years.

28. 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 Road Transport Operators. The refunds are being negotiated with individual Operators as they come forward to lodge claims.

Financial risk management

The Agency's activities expose it to a variety of financial risks: these include fair value interest rate risk, cash flow interest rate risk credit risk and liquidity risk.

The Agency's overall risk management program focuses on the unpredictability of operational and financial markets and environment and seeks to minimise potential adverse effects on the Agency's financial performance. The Agency does not use derivative financial instruments to risk exposures. Risk management is carried out by management under policies approved by the Accounting Authority.

Liquidity risk

The Agency's risk to liquidity is a result of the funds available to cover future commitments. The Agency manages liquidity risk through an ongoing review of future commitments and its 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.

Interest rate risk

The Agency has some interest-bearing assets in the form of investments in the money market in the form of fixed term deposits. However, its income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, investments 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.

29. Going concern

We draw your attention to the fact that as at 31 March 2017, the Agency had accumulated deficits of R189,061,552 **(2016: R220,335,196)** and that the Agency's total liabilities exceeded its assets by R(189,061,552) **(2016: R220,335,196).**

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. The Agency has to date paid or credited R130 million towards these refunds.

The ability of the Agency to continue as a going concern is dependent on the ability of the Agency to meet these obligations as they are lodged. The going concern basis presumes the funds will be available to finance future operations and that the realisation of assets and

Notes to the Annual Financial Statements (cont.)

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 R38,844,687 **(2016: R35,342,029).**

Further the Agency has put in place some contingent measures to ensure going concern. The following are some of the activities the Agency has initiated to ensure it meets its obligations in the foreseeable future;

- In a bid to curtail costs, the Agency has continued to review its discretionary expenditure and reports on its performance against targets on its sustainability targets. Updated cash-flow forecasts are being prepared on a regular basis to reflect availability of funds and the impact of these cost containment measures;
- On an on-going basis, the Agency engages with creditors due for refunds for the Agency to be given time to consult and structure its cash-flows. In general, Operators have been agreeing staggered payments over four or more months with no interest accruing to ensure liquidity on the part of the Agency;
- The Executive Authority has been kept up-to-date on the financial situation, especially the liquidity situation which has been satisfactory and is projected to be positive in the foreseeable future;
- Alternative funding models are being considered and will continue to be explored to diversify the revenue basis in line with the founding CBRT Act;
- Cash flow projections are performed monthly to schedule refunds to Operators as would be agreed without affecting the Agency's supplier payments whenever they fall due.

30. Events after the reporting date

On 1 April 2017, the Agency transferred its Law Enforcement Division (Road Transport Inspectorate) to the management of the RTMC (Road Traffic Management Corporation). Whilst the function has been transferred, the mandate still remains with the C-BRTA in line with the C- BRT Act. The transaction constitutes transfer of functions between entities under common control per provisions of GRAP 105. The Agency has met all material provisions of such a transfer in line with sections 42 and 64 of the Public Finance Management Act (Number 1 of 1999).

Some 138 Inspectors including support staff were transferred to the RTMC. The C-BRTA however, retained the Profiling unit which was in the past, a component of the Inspectorate. Non-Current Assets with a net book value of R1,3 million were transferred in April 2017.

The two entities are cooperating and working on some transitional measures to ensure a smooth transfer and stabilisation of the function at the RTMC. The transitional arrangements may have an impact on financial reporting by the Agency in the new financial year especially around inter-entity transactions the entities may incur or carry out on behalf of each other as well as sharing of costs.

The Accounting Authority took a decision to award performance bonuses to deserving employees of the Agency in May 2017. The impact of this decision led to adjustments to the financial statements in line with provisions of GRAP 14.

Except for the two mattesr 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.

31. Fruitless and wasteful expenditure

No fruitless expenditure has been reported during the year under review nor any that was carried forward from the prior period.

32. Irregular expenditure

	2017 R'000	2016 R'000
Opening balance	357,738	457,259
Less: Amounts condoned	(374,613)	-
Less: Amounts recovered from officials	-	(99,521)
Add: Amounts over-recovered from officials	16,875	-
	-	**357,738**

Analysis of expenditure awaiting condonation per age classification

	2017 R'000	2016 R'000
Prior years	-	357,738

The prior year irregular expenditure balance relate to transactions that were entered into without the appropriate approvals. The balance was not recoverable from officials since it was not spent in vain. The balance has since been condoned by the Accounting Authority on verification of the acquired assets.

33. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus with the actual surplus in the statement of financial performance:

	2017 R'000	2016 R'000
Net surplus per the statement of financial performance	38,844,687	35,342,029
Adjusted for:		
Loss on disposal of assets and impairments	25,406	61,120
Finance charges and interest expense	262,000	583,930
Consulting and legal fees	(6,087,271)	(9,049,987)
Other operating and general expenses	(6,108,901)	(11,759,420)
Depreciation and amortisation	(5,171,407)	(3,562,863)
Settlement (Migration) costs	3,980,000	-
Employee costs	(27,197,758)	(21,864,662)
Actuarial (losses) / gains	(78,000)	1,031,000
Operator refunds	2,000	-
Under-recovery of budgeted revenue	15,976,557	12,163,605
Other Income over-collected / (under-collected)	(8,000,771)	(2,141,024)
Interest income over-collected / (under-collected)	(6,446,542)	(803,728)
Net surplus per approved budget	**-**	**-**

Notes to the Annual Financial Statements (cont.)

Detailed Income Statement

	NOTE(S)	2017 R'000	2016 R'000
Revenue			
Permit issue fees		155,758,901	151,201,010
Permit application fees		40,499,700	39,667,341
Other income		8,000,771	2,121,024
Donations received		-	20,000
Interest received - investment		6,685,033	6,571,921
Penalty revenue		25,429,990	31,934,900
Total revenue		**236,374,395**	**231,516,196**
Expenditure			
Employee related costs	17	(138,723,409)	(139,206,721)
Relocation expenditure		(15,999)	(285,831)
Depreciation and amortisation		(2,549,336)	(2,807,879)
Finance costs and interest	20	(262,000)	(1,614,930)
Lease rentals on operating lease		(9,685,506)	(9,338,645)
Debt Impairment	18	(90,978)	103,800
Document storage costs		(236,745)	(229,662)
Repairs and maintenance		(214,893)	(131,071)
General Expenses	15	(45,725,436)	(42,602,108)
Total expenditure		**(197,504,302)**	**(196,113,047)**
Operating surplus	16	**38,870,093**	**35,403,149**
Assets written off and impaired		(25,406)	(61,120)
Surplus for the year		**38,844,687**	**35,342,029**

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ROAD TRANSPORT AGENCY

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Glen Manor Office Park
Building 3
138 Frikkie de Beer Street
Menlyn, Pretoria
South Africa

PO Box 560
Menlyn, 0063
Pretoria
South Africa

Tel: +27 12 471 2000
Fax:+27 12 369 8485

www.cbrta.co.za

@CBRTAZA

@CBRTA_ZA

RP286/2017
ISBN: 978-0-621-45800-8