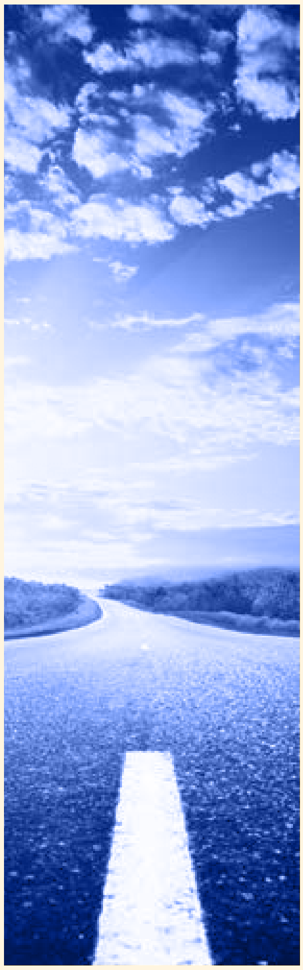
ANNUAL REPORT 2012



CROSS•BORDER
ROAD TRANSPORT AGENCY

Contents

Overview

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

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

Legislation and Mandates

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

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

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

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

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

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

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

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

- Administration
- Facilitation and Industry Development
- Road Transport Inspectorate
- Regulatory and Legal Services
- Strategic Support (Project Management Office as well as Research and Advisory)

The C-BRTA has regional offices closer to the ports of entry to ensure compliance to permit conditions across cross-border movements. The regional offices are managed by Regional Managers and are situated in the following provinces:

- Gauteng – Pretoria
- Mpumalanga – Mbombela
- Free State – Ladybrand
- KwaZulu-Natal – Durban
- North West – Zeerust
- Limpopo – Musina
- Limpopo – Mokopane (satellite office)
- Western Cape – Bellville (satellite office)
- Northern Cape – Upington (satellite office)

The structure of the Agency consists of the Board of Directors, Executive Team, Management and staff members. As at 31 March 2012 the C-BRTA had a staff complement of 188 employees, with an envisaged full complement of 341 in the 2012/13 financial year to deliver on the approved Strategic Plan 2012 – 2015 and Annual Performance Plan 2012 – 2013.

Our Vision

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

Mission

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

Our Core Values

The Core Values of the Agency are:

- Integrity
- Transparency
- Reliability
- Efficiency
- Effectiveness
- Social Responsibility

Our long-term strategic goals are as follows:

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

The C-BRTA has embarked on multifaceted organisational renewal projects aimed at, among others, the improvement of working conditions and enhanced stakeholder relation interventions focusing on the unblocking of South African borders to enhance legitimate cross-border trade. The C-BRTA is further geared to highlight commitment towards creating a sustainable institution that is efficient, effective and respected by all stakeholders.

Report of the Chairperson of the Board

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

Introduction

We are living in an intertwined world where developments in one part of the world have a direct bearing on the economies of other parts of the world. It follows therefore that international and regional developments have a direct bearing on the fortunes of South Africa, the SADC region and the African continent as a whole. As a country, we therefore need to be more than mindful of how the changing world is affecting our part of the world. We must position ourselves such that we can capitalise on international and regional developments.

In recognising the potential impact of the emergence of fast-growing developing economies such as Brazil, Russia, India and China (BRIC), South Africa cleverly positioned itself as a partner of these countries by joining the BRIC group. By so doing, we established ourselves as the gateway to Africa. The question that remains to be answered is: how do we intend to capitalise on this strategic positioning as the gateway to the African continent, in order to maximise on the benefits to be derived from the changing global trade, investment patterns and the reshaping international politics?

As the Cross-Border Road Transport Agency, we see ourselves as central to the formulation of the answer to this question. For us it is evident that the continuing industrialisation and urbanisation of Brazil, Russia, India, China and other fast developing economies, is likely to keep demand for natural resources relatively high for the next decade or so. This growing demand for minerals and other natural resources is something that Africa needs to capitalise on in order to realise her own developmental objectives.

We therefore need to ensure that our borders, our harbours, our road and rail networks, transport facilities and transport governance structures are geared to enable us to capitalise on the growing demand for our natural resources. From our own vantage point, we see these opportunities as presenting us with a completely new slate for positioning and reconfiguring the work of the Cross-Border Road Transport Agency and other public entities within the transport and trade facilitation environment.

The Changing Gears Strategy

During the course of last year, the Board of Directors of the C-BRTA adopted a new strategic approach to the work of this entity. The new strategy was aptly called: the Changing Gears Strategy and it was finally completed and adopted in August 2011. The new strategy took cognisance of the current industry forces, as well as our internal dynamics as an Agency.

The Changing Gears Strategy propels the Agency to a new inclusive trajectory that not only emulates the legislative mandate of the Agency, which is to provide advice to the Minister of Transport, ensure market access regulation, facilitate the unimpeded flow of freight and passenger cross-border movements and law enforcement in relation to cross-border transport, but also seeks to position the Agency as a prominent role player in the integrated border management environment and in keeping with the Agency's vision: "A leading Cross-Border Road Transport Agency within the SADC region".

The Changing Gears Strategy is anchored on the strategic value proposition plan that articulates the role and contribution of the C-BRTA in the facilitation of legitimate commercial trade across our borders, while ensuring effective regulatory control.

Performance

The very nature of an Annual Report is to present detailed performance information for the period under review. However, given the fact that it has been eighteen months since I was appointed as Chairman of the C-BRTA Board, I thought it necessary to present the following highlights in the year under review:

The year commenced on a positive note with the implementation of the increase in permit tariffs as promulgated by the Minister of Transport. This has resulted in financial stability for the Agency over the short term and the ability for the Agency to deliver on its strategy and provide an improved service delivery to its core customer base.

The Agency managed to attain an unprecedented level of stability at top management level, and has for the first time in its history had the same Chief Executive Officer in office for a period of two consecutive years! In addition, the remaining three executives in terms of our organisational structure were also appointed, thereby strengthening the leadership of the agency.

In April 2011, we launched the Cross-Border Operator's Forum as an instrument for engaging with both the passenger and freight operators. This was one of the mechanisms put in place to constructively engage our stakeholders.

In terms of corporate governance, an annual general meeting was held with the Minister's Advisor, who represented the shareholder in September 2011. This meeting dealt with, among others, the tabling of the annual report.

In October 2011, we hosted a very well-attended Cross-Border Road Transport Indaba, where the Minister of Transport delivered a keynote address. The Indaba presented an opportunity for a high-level discussion of key opportunities, constraints, challenges and strategic directions for the cross-border road transport environment.

During 2011, we also rolled out the Fraud Prevention Plans in an effort to eliminate fraud and corruption and improve ethics.

Additionally, the employment equity statistics published by the Agency evidence a well-balanced organisation with 48% female and 52% male employees. Historically disadvantaged persons (black persons) constitute 78% of the total staff complement. The Agency also contributed to the development of the SADC Road Safety Strategy and action plans as part of the Decade of Action for Road Safety.

Certain operations were localised through the setting up of regional offices, thereby contributing to a decrease in the unemployment rate.

At the beginning of the financial year, the Board's complement was eight non-executive directors, including a representative from the shareholder. On 31 March 2012, the Minister retired two members from the Board, Messrs Hartley Dikgale and Gavin Kelly. It is worth mentioning that Mr Dikgale was the longest serving member of the Board and the Board is grateful for the knowledge imparted by Mr Dikgale during the period of transition from the old to the new Board.

The process of appointing additional members is underway and is being managed by the Department of Transport according to the prescripts of the Cross-Border Road Transport Act.

The Board has also been exposed to various conferences and held a risk workshop in November 2011 to assist members to improve their knowledge of the C-BRTA and its core business.

Looking to the future, we are hoping to:

- Reposition the Agency as a strategic resource to the Government and all key role players in the border management environment.
- Develop industry-orientated offerings that seek to increase the value to our operators and forge meaningful partnerships with key industry players.

On behalf of the Board and management, I would like to reaffirm our commitment to sound corporate governance and achieving an unqualified audit.

Conclusion

I would like to express my gratitude to the Minister, the Honorable Dr S'bu Ndebele, and his team at the Department of Transport for their support; the members of the Portfolio Committee on Transport for their guidance and encouragement; the members of the Board for their diligence, persistence and dedication to keep the team fit and focused; and the CEO, his executive management team and employees who have shown the courage, character and an unflinching display of loyalty in the journey towards Changing Gears at the C-BRTA. A special thanks to our retired board members, Mr Dikgale and Mr Kelly, to whom we bid farewell in this financial year.

Lastly, we would also like to take this opportunity to welcome the new Minister, Honorable Mr Dikobe Ben Martins, and Deputy Minister, Ms Sindisiwe Chikunga, and wish Minister, the Honorabe Dr S Ndebele, and Deputy Minister Mr Jeremy Cronin, all of the best in their new portfolios.

Mr Matete Matete
Chairperson of the Board

Chief Executive Officer's Report

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

— Maya Angelou

Introduction

These words, chronicled in Maya Angelou's poem, could be attributed to the birth and growth struggles of the Cross-Border Road Transport Agency. In the spirit conveyed in this poem, the C-BRTA has demonstrated the undying spirit of champions through its ability to rise, rise and rise in the face of historic challenges and multiple adversities.

From the time of its launch, the C-BRTA appears to have been moulded in adversarial and inimical circumstances. Yet through years of blood and sweat, heartaches and losses, it has learned to develop character and strength to withstand and may yet conquer its historic circumstances. The history of this entity proves that you can only develop strength when you are in trouble, learning to handle opposition and antagonistic circumstances and, in the process, developing the necessary strength and the capability to fly.

This report marks my second year in the position of Chief Executive Officer at the C-BRTA. Among the key deliverables during this period was to reposition the Agency in the cross-border transport and trade spaces with a view of creating public value. The first step towards this was to redefine and launch the Agency's vision, mission and organisational values, through which we recommitted ourselves to meeting operator requirements and to strive to exceed the expectations of all our stakeholders.

Consistent with the view expressed in The Power of Strategic Commitment*, we knew that "engaging employees so that they can fully commit to the strategy is the ultimate factor in whether the strategy succeeds or not, because strategy never fails in its formulation, only in its execution". In order to make this a reality, it was imperative to get buy-in from employees to ensure that everyone had the same understanding of the new direction of the Agency. To this effect, employees collectively participated in articulating and pledging to live the Cross-Border Road Transport Agency values because it would have been difficult, if not impossible, to embark on the process of repositioning the Agency without total commitment from the entire workforce.

It is for this reason that our employees' commitment is centred on the six Agency values which reflect our determination to operate with integrity and responsibility, deliver on our shareholder mandates, meet industry expectations, create a conducive working environment and contribute positively towards South Africa and the SADC region's economic and social development.

Strategic Realignment

In order to ensure that the C-BRTA responds to its political authorising environment, in line with the National Treasury requirements on objectives setting, we had to realign our Strategic Plan. This realignment came under the auspices of the Changing Gears Strategy. This strategy has enabled the C-BRTA to be responsive, support economic policies and priorities as well as to support the vision of the Government of South Africa of industrialisation in order to facilitate the development of the African region.

* Josh Leibner; Gershon Mader; Alan Weiss. 2009. *The Power of Strategic Commitment: Achieving Extraordinary Results Through Total Alignment and Engagement.* AMACOM, New York.

Furthermore, the Changing Gears Strategy is aligned to our intent of creating public value and being responsive, and takes into cognisance national and regional transport priorities. This strategy is aligned to responding to the C-BRTA's legislated mandate of facilitating the unimpeded flow by road of freight and passengers in the region, liberalising market access progressively in respect of cross-border freight road transport, introducing regulated competition in respect of cross-border passenger road transport and reducing operational constraints for the cross-border road transport industry as a whole.

Performance Review

Maya Angelou makes the observation that, "there's a world of difference between truth and facts. Facts can obscure truth." Indeed the manifestation of this observation became clear on the 25th July 2012 when the C-BRTA Board was afforded the first opportunity to brief the newly appointed Minister of Transport, Minister Dikobe Ben Martins and Deputy Minister, Ms Sindisiwe Chikunga.

At this briefing, the C-BRTA was at pains trying to impress the Minister and the Deputy Minister with the fact that for the first time since its establishment, the C-BRTA's current penalty revenue is not qualified. This, we observed, presented an opportunity to break the cycle of audit qualifications for the first time in the history of the Agency!

The Minister's response was simply that, according to his briefing from the Auditor-General, our financials have been qualified for Financial Year 2011/12, and therefore, where he is concerned; we are not yet out of the woods. Indeed, factually speaking, the C-BRTA's annual financial statements for the period under review (2011/12) have been qualified.

However, the truth is that this qualification does not derive from any shortcomings determined in the year under review, but from the previous financial year. Historically, the C-BRTA has never received an unqualified audit report, mainly due to the challenges around completeness of penalty revenue. For the first time in the financial year under review, the penalty revenue is not qualified, thus providing the basis to break the cycle of audit qualifications. As is evident from the Auditor-General's report (which is part of this Annual Report), the basis of our current audit qualification relates to the previous financial year.

Of note though, is that the C-BRTA has aligned its operations to the Board approved Strategic Plan and Annual Performance Plan. As a result of our collective effort, there is a widespread understanding among the C-BRTA employees as to how each person and division contributes to achieving the C-BRTA's vision and the strategic objectives as set out in the Strategic Plan and Annual Performance Plan.

Through the recently introduced performance management system, we are also establishing a direct link between individual performance and delivery of the Agency's Strategic Plan and performance in relation to the pre-determined objectives as articulated in the Annual Performance Plan (APP). The predetermined objectives as set out for the year ending 31 March 2012 included, but were not limited to, the following:

- Improving institutional performance and governance;
- Increasing participation in the border management operations;
- Developing cross-border industry partnerships;
- Promoting entrepreneurship and capacity building for SMMEs in the cross-border transport sector;
- Improving operator compliance in the cross-border transport sector;
- Increasing roadside visibility; and
- Regulating market access in the cross-border transport sector.

In terms of performance for the year under review, we achieved 62% of our predetermined objectives. Reviewing these performance figures outside of a context would make us look very bad, however, the truth is that our strategic plan was only finalised and approved in August 2011. Read within this context, it is clear that we achieved 62% of our performance targets within a period of seven months.

It is noteworthy to mention that performance information in the Agency is reviewed every month by the Executive Committee and every quarter by the Audit and Risk Committee and the Board. Once reviewed, it is then submitted to the Minister of Transport as our shareholder. This is covered broadly in the report on annual performance data and variances in delivery are further explained where applicable.

Advocacy

Our strategy has been to engage a wider C-BRTA stakeholder group about the Agency's strategy, service standards, successes and challenges with a view of sharing information, being transparent and relevant as well as to add value. Some of these stakeholder engagements include, but are not limited to, the following:

- Regular engagements with the Portfolio Committee on Transport;
- Interacting with cross-border operators through a Cross-Border Operators Forum which was established as a formal quarterly structure in order to engage freight and passenger operators on issues of mutual interest and to improve the unimpeded flow of cross-border transport in the region;
- The Board and Executive Team's interaction with the Deputy Minister of Transport, Mr Jeremy Cronin on the Changing Gears Strategy in July 2011;
- The Cross-Border Road Transport Indaba was held in October 2011 as part of October Transport Month. This Indaba drew the attendance of transport experts and custodians from South Africa and the entire SADC region and had the privilege of being graced by the attendance of the Minister of Transport, Dr S'busiso Ndebele, who delivered a keynote address;
- Regular joint meetings with SADC countries that the Agency has bilateral agreements with in order to enhance regional integration, improve the harmonisation of standards and services to promote and enhance legitimate cross-border movements and trade;

- Keeping the employees engaged through staff meetings, which are held on a quarterly basis, in an effort to communicate critical business matters. The Communications Division publishes a quarterly magazine with the intent to inform and educate employees and stakeholders about business matters and other activities that take place in the organisation and the industry as a whole. Furthermore, there is a weekly newsflash which is distributed to all staff members to highlight weekly operational activities. Pertinent business information is disseminated to the media, as and when there is a need, in order to reach external stakeholders.

We will continue to cooperate with our stakeholders and more specifically, to work with the institutions that have an interest in the cross-border and trade spaces to remove delays on transport corridors and border environments. This is critical, because these delays come at a great cost to the country and the SADC region.

Transformation

One of the factors that could impact on the C-BRTA's implementation of the Changing Gears Strategy is our ability to attract and retain high calibre employees. In order to achieve this, thereby giving the Agency a competitive edge, the retention strategy has already been discussed at the executive level.

The C-BRTA will continue to focus on Broad-Based Black Economic Empowerment (BBBEE), with a strong focus on employment equity objectives, skills development programmes and increasing procurement from black-owned suppliers.

Finances

With the support we have endured from the Shareholder and the cross-border industry operators, we end the year in a healthy financial position, with sufficient support in place to ensure that we can address the challenges ahead.

Reflecting on the Future

The C-BRTA will continue to forge ahead with its Changing Gears Strategy in order to create public value and reposition the Agency in the transport, cross-border and trade environment.

Regional integration has been identified as the single biggest priority over the next decade, because without accelerating this process, Africa will remain structurally marginalised in the global economy. The C-BRTA has aligned its strategic objectives with the prioritisation of regional integration, as driven by the African Union, SADC and other regional economic communities such as the Tripartite Free Trade Agreement (COMESA-EAC-SADC), as they represent a potential paradigm shift for Africa. This will ultimately lead to an integrated market.

The key strategic initiatives in the coming year to support this strategy include:

- Developing and implementing a Strategic Value Proposition Plan which is aimed at enhancing legitimate trade;
- Developing a well-informed business model on the best approach to unblock the South African borders and positioning the C-BRTA within key commercial border posts which should yield trade and economic gains for the country;
- Implementing an Industry Partnership Development Plan (IPDP) which focuses on working together with the cross-border industry;
- Developing an Operator Accreditation Compliance Scheme (OCAS) to improve the unimpeded cross-border movement of goods and passengers and to reduce operational costs which are caused by delays along the corridors and at border posts;
- Developing a model to regulate market access with a view to promoting economic growth and development in the region, through empowering the cross-border industry to regulate itself incrementally to improve safety, reliability, quality and efficiency of services.

To ensure that we do not re-invent the wheel, we will benchmark our key projects and product offerings with similar best practices that have been implemented in the region and globally. Our approach will remain centred on aligning our findings and approaches to our environment and the African context.

Management sets standards and implements a system of risk management through a dashboard, which is monitored on a monthly basis. Our immediate focus is on the attraction and retention of technical skills to deliver on our key projects, strengthening our internal control, management assurance and supply chain management processes, while enhancing technology to support the C-BRTA's strategy.

The C-BRTA will continue to enhance a culture of performance with a deliberate approach to change management in order to ensure we all have a shared understanding of the vision. We aim to be an Agency that promotes innovation through continuous business improvement, and not to protect old ways of doing things. We believe that the best ideas come from employees and not necessarily from the top management. To this effect, we will continue to promote a culture of engagement and acknowledge, celebrate and reward our employees for excellence.

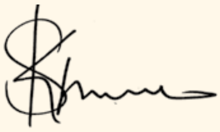
I am confident that we have the right strategy, a sound business model, the competitive strength, a seasoned leadership team, talented employees and the right discipline and focus to put it all together for the benefit of the economy of South Africa and that of the SADC region in 2012.

Conclusion

The C-BRTA's success rests with its competent and dedicated staff and executive management team. They form the backbone of this Agency and their hard work and passionate commitment to tackle the developmental challenges of South Africa and the region must be recognised.

Before I conclude, let me take this opportunity to express our gratitude to the Board and the Shareholder for their unrelenting support. All our achievements would not have been possible without their strategic guidance and support. In particular, I wish to thank the departing Minister of Transport, Sibusiso Ndebele and his deputy, Jeremy Cronin, for their unlimited availability to us and for their effort in making time to hear our case, notwithstanding our relatively small size among the agencies within the transport family. By making the time to afford us the necessary audience, they have contributed to enhancing the sustainability of this Agency.

In conclusion, let me take this opportunity to welcome our new leadership in the transport sector, the new Minister, the Honourable Dikobe Ben Martins and the Deputy Minister, Ms Sindisiwe Chikunga. We are encouraged by your undoubted commitment to support the reshaping of the transport sector as a strategic sector that can greatly enhance the realisation of the country's social and economic objectives. We wish you well in "the heartbeat of South Africa's economic growth and social development!"



Mr Sipho G. Khumalo
Chief Executive Officer

Board Members

Profiles of Board Members

Mr Matete Matete (Chairperson of the Board)

Current Position
- Independent Consultant at 3M Consulting

Qualifications
- Diploma in Civil Engineering
- B Sc Honours in transportation
- MBA

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

Ms Maleho Nkomo (Deputy Chairperson of the Board) and Chairperson: Human Resources and Remuneration Committee

Current Position
- Independent consultant

Qualifications
- B Com
- B Com Honours
- Masters in Commerce
- Certificate Senior Executive Programme from Harvard University

Current Membership
- Deputy Chairperson of the Gauteng Rental Housing Tribunal
- Board Member at the National Urban Reconstruction and Housing Agency
- Board Member Tshwane South College
- Board Member at the National Credit Regulator
- Member of the Institute of Directors
- Independent/Non-executive Audit Committee Member:
  - Education Labour Relations Council
  - National Library of South Africa
  - Free State Department of Co-operative Governance, Traditional Affairs and Human Settlements
  - Media, Advertising, Information, Communication and Technology (MICT) Seta

Mr Nala Mhlongo (Chairperson: Audit and Risk Committee)

Current Position
- Management Consultant specialising in business process re-engineering

Qualifications
- B Com
- B Com Honours
- Advanced Certificate in Taxation
- Chartered Accountant (CA(SA))
- Chartered Management Accountant (ACMA)
- Chartered Global Management Accountant (CGMA)

Current Membership
- Member of the Institute of Directors
- Board Member/Audit Committee Member at the:
  - KZN Gaming & Betting Board (Audit Committee Chairman)
  - CIPC (Risk Committee Chairman)
  - Water Research Commission (Audit Committee Chairman)
  - Construction Industry Development Board
  - Private Security Industry Regulatory Authority
  - Competition Commission
  - Competition Tribunal
  - Member of the Copyright Review Commission (in 2011)

Ms Shamila Singh

Current Position

- Practising Attorney under the name and style of Sha Singh & Associates

Qualifications

- B A Law – UDW (now UKZN)
- LLB – UDW (now UKZN)
- Certificate of the Aspirant Judges Programme
- Right of Appearance as an Advocate
- Certificates from the Gordon Institute of Business – University of Pretoria

Current Membership

- National Association of Democratic Lawyers
- South African Women Lawyers Association
- Board Member at the Land Bank (LB)
- Commissioner at BCCSA (Broadcast Complaints Commission South Africa)
- Commissioner – Land Claims – KwaZulu-Natal
- Member of the Institute of Directors

Mr Hartley Dikgale

Current Position

- Senior Vice-President: General Counsel: Gold One International Limited

Qualifications

- Master's Degree in Law
- Higher Diploma in Company Law
- Diploma in Telecommunication Senior Management

Current Membership

- Membership at:
  - Black Lawyers Association
  - National Precious Metals Forum
  - Black Management Forum
  - Corporate Lawyers Association of SA
  - The Institute of Directors
- Directorships include:
  - Pamodzi Resources (Pty) Ltd
  - Pamodzi Coal (Pty) Ltd
  - Watermark Global PLC

Mr Sinethemba Francis Mngqibisa

Current Position

- Chief Director: Department of Transport

Qualifications

- B Com
- B Com Honours
- National Diploma in Clinical Pathology
- National Diploma in Medical Microbiology
- Certificate in Labour Law
- Postgraduate Diploma in Transport Management

Current Membership

- Member of the Institute of Directors

Ms Mathabo Marian Nakene

Current Position

- Project Manager, TPM Project Management

Qualifications

- B Sc Computer Science
- B Sc Computer Science Honours
- Master's Degree in Project Management
- Specialised courses in project management and facilitation

Current Membership

- Project Management South Africa (PMSA)
- Member of the Institute of Directors

Mr Gavin Kelly

Current Position

- Manager at the Road Freight Association

Qualifications

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

Current Membership

- Member of the Gauteng Premier Advisory Council
- Member of the National Scout Council
- Chair of the South African Training Advisory Council
- Member of the Institute of Directors

Mr Sipho Khumalo

Current Position

- CEO: C-BRTA

Qualifications

- BA Honours Degree
- Master's Degree in Public and Development Management
- Global Executive Development Programme from the Gordon Institute of Business Science
- Other specialised courses

Current Membership

- Member of the Black Management Forum
- Member of the Institute of Directors

Executive Team

Sipho Khumalo
(Chief Executive
Officer)

Alfred Maepa
(Chief Financial
Officer)
Finance, IT and Supply
Chain Management

Dineo Mathibedi
(Executive)
Corporate Services

Ronald Stuurman
(Executive)
Regulatory and Legal
Services

Samson Koloi
(Executive)
Road Transport
Inspectorate

Nivashnee Naraindath
(Executive)
Strategic Support
and Company Secretary

Mudunwazi Baloyi
(Executive)
Facilitation and
Industry Development

Performance against Pre-determined Objectives

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

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

The strategic plan was revised and approved by the Accounting Authority in August 2011, subsequent to the tabling and presentation to the Portfolio Committee of Transport. The revised strategic plan is more aligned to the mandate of the Agency and incorporated the inputs of the Portfolio Committee. The revised strategy was submitted to the Minister for approval and the Agency's quarterly reports were based on the revised strategy. The Minister's approval of the revised strategy was not obtained during the financial year.

The Agency has achieved sixty-two percent (62%) of its targets for the period under review. This is mainly due to the late implementation of the revised strategy. Remedial actions have been put in place to ensure the attainment of all the set objectives for the 2012/13 financial year.

Below is the performance programme by programme:

Administration

Corporate Services

Introduction

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

Strategic Objectives

The focus for the year under review was to introduce transformational solutions aimed at enhancing:

- Talent sourcing;
- Talent development;
- Performance management;
- Employment equity; and
- Organisational communication and branding.

Talent Sourcing

Recruitment plans and strategies are regularly monitored for appropriateness and effectiveness and are continuously aligned with the organisational strategy. The Human Resources departmental focus was on interventions aimed at building the Agency's bench strength in line with the Changing Gears Strategy. A total number of forty (40) employees were appointed during the period under review. The trend in recruitment has seen more appointments of females in the senior, middle and junior management levels in line with the employment equity targets for the year under review. A total of ten interns were appointed on a short-term contract. This talent pool comprises unemployed graduates in the transport sector and also forms a feeder base for entry level positions especially in the regulatory environment. The Agency is in the process of revamping the programme to ensure the adequate and effective up-skilling of employees on the Internship Programme.

Talent Development

Learning and development is central to the achievement of the Agency's strategic goals and sustainability. Learning solutions aimed at enhancing organisational capability across all levels were sourced and delivered by reputable institutions across all functional areas. A total number of thirty eight (38) learning solutions were delivered and four hundred and sixty (460) delegates participated in various learning offerings on and offsite. Three executive team members completed the Gordon Business Institute of Business Science' Global Executive Development Programme.

Performance Management

The Agency introduced a performance management system across all organisational layers during the year under review. This was aimed at building and inculcating a performance-driven organisational culture. A total number of nine (9) performance management workshops were held across all offices.

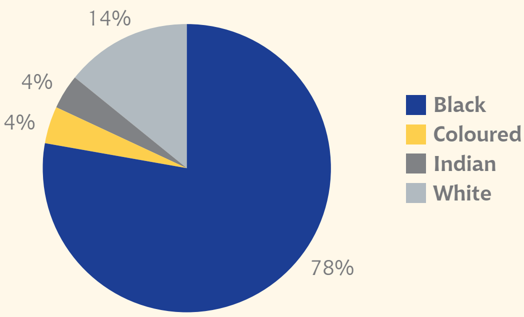
Notwithstanding the challenges, this intervention has impacted positively on the quality of communication between employees and managers. Further training and a robust change management process will be embarked on in the next financial year to enhance productivity, quality of service and organisational excellence.

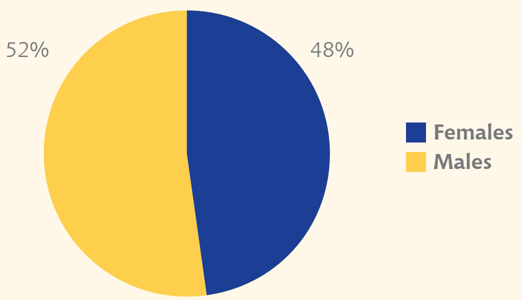
Employment Equity

Employment equity progress and other related imperatives are regularly monitored to ensure alignment with the Agency's employment equity goals and targets.

Employment Equity Statistics per Race and Gender

The Agency is progressing well in respect to employment equity implementation. The percentage of employees with disabilities is standing at 0.5% and strategies for employment of people with disabilities will be enhanced going forward.





Communication and Branding

The communication strategy and plan was approved. This culminated in a quarterly publication named "Transcending Borders" aimed at enhancing internal and external communications. Media briefings were held to educate the public about the Agency's service offering and value add. The aforesaid primarily took place during the October Transport Month in line with the Minister of Transport's National Transport Month initiatives.

The Agency participated in numerous transport sector related conferences and exhibitions. This participation included thought leadership, knowledge sharing and branding enhancement.

Improving the image of the Agency, including the regional offices, through a professional team and milieu was also an area of focus.

In order to do this, staff forums were introduced and road shows, which included conversations on organisational values and branding workshops, were held at Head Office and most of the regional offices. This project, which includes branding and professionalising the regional offices, will be continued in the next financial year.

Strategic Projects

Strategic objective	Key performance indicator	Target	Performance result	Variance explained
Institutional performance improved	Number of performance management workshops held	7	9	The demand for more interventions increased
	Number of values rollout workshops held	7	4	Target not met due to the postponement of regional road shows as a result of urgent business imperatives
	Number of senior management who have completed the Global Executive Development Programme (GEDP)	3	3	Target met
	Number of junior managers who have completed supervisory skills training	15	19	Additional delegates were included due to the increased demand for this intervention
	Number of branding workshops conducted	5	3	The target was not met due to the postponement of regional road shows due to urgent business imperatives
	Number of different newsletters developed	3	2	The target was not met. The second edition of the newsletter was delayed and subsequently carried over to the fourth quarter
	Number of media liaison briefings conducted	2	4	The target was exceeded due to the October Transport Month activities. Although the target for the year was two, there were more than three events which formed part of October Transport Month. This required the organisation to draft media statements and arrange media interviews in order to publicise those events and the work of the Agency
	Number of employees on training programmes	200	460	Due to the increasing number of new staff members, additional sessions were necessary
	Number of employees on the Internship Programme	10	15	Additional requests from the divisions motivated the increase in the number of interns
	Number of employees who have completed On-boarding Programme	40	40	Target met

Supply Chain Management (SCM), Finance and Information Technology (IT)

Introduction

The purpose of the sub-divisions under this division is to ensure organisational compliance with all statutory and policy requirements pertaining to Supply Chain Management (SCM), Finance and Information Technology (IT).

The Finance sub-division ensures organisational compliance with all statutory financial management practices. The IT sub-division is responsible for ensuring a stable and effective core and supporting technology business systems as per the approved IT Strategy.

Operational Performance

The Supply Chain Management policy was reviewed in February 2012 to ensure compliance with procurement regulations, which came into effect in December 2011. Furthermore, the process of creating a credible supply database is underway.

Various measures are being implemented to enhance compliance and quick turnaround times within the supply chain management environment.

The collection of penalty revenue from the courts was increased through follow-ups with the courts and the implementation of the collection system of the Department of Justice (SITA system), which provided the Agency with access to all fines paid at various courts. Measures have been implemented within the permit revenue environment to mitigate the risk associated with cash and credit card payments.

The IT unit implemented the Employee Self Service (ESS) on the VIP system to enable employees to apply for leave online and access their payslips, among others. The process of developing a new Enforcer System is underway. To date, our IT infrastructure has been upgraded.

The C-BRTA strongly embraces the edicts as stipulated in the applicable regulatory framework to pro-actively prevent, detect and investigate fraud and corruption. Among various initiatives, in March 2011 a Fraud and Corruption Steering Committee was formed to look at issues of fraud and corruption. In May 2011, a fraud and corruption hotline, under the auspices of the "Vuvuzela Hotline" was launched and the service is provided by an independent company. The launch of the Vuvuzela Hotline culminated in various road shows being held at Head Office and the regional offices, thereby raising awareness of fraud and corruption.

A Fraud and Corruption policy was approved by the Board of Directors on 5 May 2011 and was implemented in May 2011. This resulted in a drive to ensure that all employees declare any conflict of interest and private work being undertaken. In addition, fraud and corruption has been included as part of the On-boarding Programme for all new employees.

A number of investigations were carried out in the year under review with the assistance of an independent service provider, which resulted in disciplinary action and the institution of criminal proceedings in certain instances.

Strategic Projects

Strategic objective	Key performance indicator	Target	Performance result	Variance explained
Institutional performance improved	Number of programmes to decrease fruitless and wasteful expenditure	4	3	Workshop on Finance and SCM policies and other relevant prescripts to be included as part of the Induction Programme
	Number of training programmes to decrease Irregular expenditure	4	4	Target met
	Number of mechanisms implemented to prevent fraud and corruption	4	4	Target met
	Number of revenue reconciliations per year	252	228	Key penalty revenue reconciliations performed between payments by courts and the J14 and Justice systems. Permit fees reconciliations performed between the CBRTS, and receipts (cash, EFT, credit cards, etc.). Some revenue reconciliations were consolidated and performed on a quarterly basis
	Number of decentralised revenue collections in place	3	2	The subsequent feasibility assessment concluded that it is not feasible to decentralise collection at Zeerust and Barbeton at this stage
	Number of implemented business application systems	3	9	The outcomes of the IT security assessment led to the implementation of additional business applications as part of the interventions to mitigate the identified risks

Facilitation and Industry Development

Introduction
The purpose of this division is to ensure that consultations and partnerships with key role players within South Africa and SADC are developed to enhance regional social integration and economic development.

Strategic Objectives
- Facilitate consultative forums and stakeholder structures to reduce operational constraints;
- Minimise route conflicts;
- Harmonisation of standards and processes within the region; and
- To address the identified developmental needs of the cross border road transport industry.

Operational Performance
In order to address the developmental needs of the industry, the division put an industry development strategy together which was approved in August 2011. The following programmes were implemented during the year under review:
- Cross-border policies/legislation, which included the policies of neighbouring countries for the freight and passenger industry;
- Pre-clearance at border posts for the freight industry;
- Road safety for the freight and passenger industry;
- HIV/Aids and general wellness for the freight and passenger industry;
- C-BRTA Regulatory Policy for the taxi industry; and
- Labour Relations Policy for the bus industry.

The division will continue to roll out further programmes as identified together with the industry.

The division is in the process of developing a SMME database to encourage SMME's to register, so that there is a clear distinction between SMME's and big operators within the cross-border industry.

The database will enable the division to put developmental programmes in place, in order to assist SMME's to develop and grow so that they remain sustainable in cross-border markets.

An advert was published in the media to invite Cross-Border SMME's to register on the database, however this process did not yield the expected results. The division has since partnered with the Regulatory division to publicise the invite to encourage operators to register.

The Cross-Border Operators Forum (C-BOF) which was initiated in 2011 to engage with both the passenger and freight industries is progressing well on a quarterly basis. This structure was created with a view of creating sustainable public value through partnering with the industry to enhance cross-border operations.

Two Joint Committee and Joint Route Management Group meetings were facilitated with Zimbabwe and Botswana respectively. These meetings are held at least twice per year with the SADC country counterparts that South Africa has signed road transport agreements with. These structures are based on public/private sector participation aimed at engaging on cross-border matters and dealing with constraints on the routes/corridors. A special Joint Committee meeting was held with Mozambique. Joint Committee meetings are held with officials of the two countries to further address operational constraints on the corridor.

The division expects to participate more regularly in the National Border Control Operational Coordinating Committee (BCOCC) in order to participate actively in border management issues. These meetings are hosted by the South African Revenue Services (SARS) on a monthly basis and are based on invitation. The division was able to participate in one BCOCC meeting during the year under review.

Strategic Projects

Strategic objective	Key performance indicator	Target	Performance result	Variance explained
Industry partnerships built	Number of industry development programmes implemented	5	6	The additional programme that led to the target being exceeded was motivated by a call to address operators' needs
Entrepreneurship and capacity building for SMMEs in the transport sector (especially HDIs)	Number of SMMEs in the cross-border markets	50	10	An advertisement was published in the media, calling for cross-border operators to register, however the response was not satisfactory in relation to the set target. The division is working closely with the Regulatory Division to ensure that all new operators receive the forms to register as an SMME, which is followed up by telephone
Participation in border management operations increased	Cross-Border Forum meetings held	8	8	Target met
	Joint Committee meetings held	4	3	The cancellation of the meeting was beyond the division's control. The division is awaiting Malawi to communicate a new proposed date
	Number of meetings with the National BCOCC	4	1	Shareholder intervention is being sought in this regard to ensure participation in the National BCOCC structure

Road Transport Inspectorate

Introduction

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

The division is structured to cover the following areas of focus:

- Law enforcement – which involves targeted physical road side inspection to ensure compliance with all cross-border road transport legislation as well as the SADC Protocol. This is the core functional area of the programme and it involves the prosecution of non-compliant operators. Key to the success of the programme is the development of inspectors as well as collaboration with other law enforcement institutions;
- Law enforcement profiling – which involves intelligent decision-making and developing law enforcement standards and benchmarks; and
- Training and external activities – law enforcement is a specialised area requiring extensive training in law enforcement and vehicle standards. This necessitates strategic partnering with law enforcement training institutions and other stakeholders to harmonise operating procedures and standards.

Operational Performance

The division played a role in a number of road safety initiatives in support of its stakeholders. It played a major role in the SADC Road Safety Working Group that planned the launch of the Regional Decade of Action for Road Safety where the South African Minister of Transport was appointed a Road Safety Champion for SADC. Through this participation, the division contributed to the drafting of the SADC Road Safety Strategy and Action Plan that were adopted by the SADC Ministers of Transport in October 2011. There was also participation in the Road Safety Committee of the National Department of Transport.

The visibility of the road transport inspectors was significantly improved during the year under review. A number of joint law enforcement operations were conducted with stakeholders in the law enforcement community and this improved the productivity of the officers.

In addition, law enforcement officers were deployed at strategic positions to cover key corridors and border posts and to follow traffic patterns. Through these interventions, the total number of inspections conducted increased significantly.

Through the improved visibility of the road transport inspectors, a significant number of cross-border operators and vehicles were found to be compliant with the legislative requirements. This resulted in improved operator compliance rate. This is confirmed by the reduction in the number of notices issued and prosecutions. It must be noted that a high compliance rate and reduced prosecutions may result in reduced penalty income.

Through the profiling and analysis of inspection data and increased vigilance of inspectors, a number of fraudulent activities were identified. Fraudulent permits were seized and drivers in possession of such permits were arrested and charged with fraud. As a result, the Agency is collaborating with units in the security cluster to investigate cases of fraud.

The division has made efforts to ensure that the road transport inspectors comply with the job requirements and improve their productivity.

Several training interventions have been undertaken. In addition, inspectors were taken through the Peace Officer Training Programme to ensure that notices are issued in accordance with the Criminal Procedure Act, and qualifying inspectors were declared as peace officers.

Operational Data

Table 1 below summarises activities and statistics achieved during the reporting period.

Table 1: Vehicle inspections, prosecutions and penalty income

Work activity	2010/11	2011/12	Difference	Percentage
Vehicle inspections	65,400	124,624	59,224	90.56%
Prosecutions	15,486	11,549	-3,937	-25.42%
Compliance rate	76.32%	90.55%	14.23%	14.23%

Strategic Projects

Strategic objective	Key performance indicator	Target	Performance result	Variance explained
Operator compliance improved	Number of prosecutions per year	16,500	11,549	The number of prosecutions was below the target. Monthly verifications are conducted by comparing data in the inspection forms with the CBRTS. These reports show that there is a match between the inspections as captured by inspectors and the permit system. This indicates that a decrease in prosecutions can be attributed to increased compliance rate
	Rate of operator compliance	75%	90.55%	A number of targeted law enforcement operations and deployment of inspectors at key border posts increased the visibility of inspectors. This resulted in a high operator compliance rate, which is supported by a decline in the prosecution rate
	Number of inspectors who have completed the peace officer training	22	29	Initially, the training of inspectors was planned to be rolled out over a period of three years. It was later discovered that the number of inspectors who were not yet appointed as peace officers was smaller than anticipated. Thus a decision was taken to train all qualifying inspectors in the 2011/12 financial year
	Number of annual cross-border road safety initiatives undertaken	3	4	In addition to the planned initiatives through roadblocks and participation in the launch of the national and SADC Decade of Action for Road Safety, road safety awareness campaigns were conducted at the Cross-Border Operators Forum
Standards and procedures harmonised	Number of SADC consultative meetings harmonisation	11	8	This target was based on the previous year's consultative meetings. The target for the quarter could not be met due to postponements from the SADC counterparts and the meetings had to be rescheduled

Strategic objective	Key performance indicator	Target	Performance result	Variance explained
Roadside visibility increased	Number of inspections per year	67,000	124,624	The increased number of vehicles inspected was as a result of targeted law enforcement operations that were conducted, and the deployment of inspectors at key border posts on a more permanent basis. In addition, compulsory inspection forms were introduced to ensure that all vehicles stopped for inspection were recorded
	Number of branded operational inspection vehicles	23	0	The original plan was to purchase vehicles for inspectors. It was however decided that a more scientific approach be used to analyse and compare possible fleet management solutions. The project was undertaken internally. However, there were challenges and delays due to limited knowledge and information on different fleet management solutions. A comprehensive study has since been outsourced and the results and recommendations will be presented in the second quarter of 2012/13 with the roll-out of the recommended solution starting later in the new financial year

Regulatory and Legal Services

Introduction

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

Regulatory Services

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

During the year under review, the Regulatory Services Unit issued a total number of 71,100 permits, resulting in an overall deviation of 18,900 permits from the projected number of 90,000 permits to be issued. This in turn translates into a decrease of 25% during the year under review, down from 94,133 in the previous financial year to 71,100.

The decrease in the total number of permits issued can firstly be ascribed to a displacement in the use of temporary permits to longer term permits, one- and five-year permits, since the implementation of new permit tariffs. Secondly, the decrease is also attributable to a major decrease in the issuance of cabotage permits due to the general prohibition against cabotage, which may be allowed subject to meeting certain stringent requirements. This prohibition is geared towards protecting the domestic freight and passenger industry market. This trend is also evident across the different quarters in the 2011/12 financial year. Table 1 gives a statistical overview of the taxi permits issued per country.

Operational Performance

Permits issued for taxi operations decreased overall by 0.24% during the year under review, down from 11,979 to 11,950. Table 1 gives a statistical overview of the taxi permits issued per country:

Table 1: Permits issued for passenger transport (taxi)

Country	2010/11	2011/12	% movement
Botswana	558	405	(27%)
Lesotho	2,492	2,762	11%
Malawi	7	2	(71%)
Mozambique	5,072	5,177	2%
Namibia	39	98	151%
Swaziland	607	681	12%
Zambia	7	8	14%
Zimbabwe	2,770	2,729	(1%)
Cabotage	427	88	(79%)
Total	**11,979**	**11,950**	**(0.24%)**

Permits issued for bus operations decreased overall by 31% during the year under review, down from 3,409 to 2,367. Hereto follows a statistical overview of the bus permits issued per country:

Table 2: Permits issued for passenger transport (buses)

Country	2010/11	2011/12	% movement
Botswana	211	36	(83%)
Democratic Republic of Congo	3	23	667%
Lesotho	712	468	(34%)
Malawi	251	207	(18%)
Mozambique	668	399	(40%)
Namibia	73	113	55%
Swaziland	138	17	(88%)
Zambia	86	115	34%
Zimbabwe	1,267	989	(22%)
Total	**3,409**	**2,367**	**(31%)**

Permits issued to freight carries decreased overall by 29% during the year under review, down from 76,844 to 54,827. Hereto follows a statistical overview of the freight permits issued per country:

Table 3: Permits issued for freight transport

Country	2010/11	2011/12	% movement
Botswana	12,667	8,785	(31%)
Democratic Republic of Congo	4,779	4,275	(11%)
Lesotho	6,469	4,423	(32%)
Malawi	1,797	1,130	(37%)
Mozambique	10,064	7,351	(27%)
Namibia	7,934	5,680	(28%)
Swaziland	9,344	5,899	(37%)
Zambia	8,727	8,154	(7%)
Zimbabwe	11,676	8,426	(28%)
Cabotage	3,387	704	(79%)
Total	**76,844**	**54,827**	**(29%)**

Permits issued to tourist operators decreased overall by 16% during the year under review, down from 2,328 to 1,956. Hereto follows a statistical overview of the regional tourist permits issued:

Table 4: Permits issued for tourist transport

	2010/11	2011/12	% movement
Regional	2,328	1,956	(16%)

The Regulatory Services division embarked on several projects to improve its regulation of the cross-border road transport industry. It firstly embarked on a process that entails the development of a model to determine market demand and supply for improved regulation. The project was initiated during the financial year, and to date a passenger flow analysis assessment and demand and supply analysis have been executed and a proposed model is currently being finalised. It is foreseen that this project will remain as part of the Agency's strategic projects and continue over the short to medium term.

During the year under review the Regulatory Committee approved the draft Regulatory Guidelines for the assessment of applications for conveyance of passengers. The guidelines will serve as a guide to passenger carriers when applying for cross-border passenger permits on the one hand, and the Regulatory Committee members when considering or assessing applications for cross-border passenger permits on the other.

This in turn will improve the integrity of the committee and the process in ensuring consistency in decision-making and mitigation of probable instances of legal challenges due to inconsistent decisions.

Legal Services

The newly established Legal Services unit was capacitated with a senior manager and two legal officers during the period under review. The unit focused on the vetting of contracts, drafting of service level agreements, research, provision of legal advice and litigation management.

The unit also embarked on a general review of the Cross-Border Road Transport Act Regulations, 1998, with a view of aligning the latter regulations with new legislative developments and provide for certain administrative rules and processes for the improved functioning of the Regulatory Committee.

Draft regulations were prepared and approved by the Board of Directors of the Agency. The draft regulations were forwarded to the Department of Transport with a request to process same for ultimate promulgation by the Minister of Transport.

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

- **CARS & Deernam//C-BRTA**

- **Road Freight Association//C-BRTA**
  The Cross-Border Road Transport Act Regulations, 2011, ("the Regulations") were amended during the previous financial year with the aim of adjusting the tariffs charged for the acquisition of a cross-border carrier permit. The adjusted permit tariffs have been implemented since 1 April 2011. The latter adjustments were met with serious dissatisfaction from freight carriers, which in turn instituted two separate legal challenges against the Minister of Transport and the Agency to get these regulations reviewed.

  The Agency and the applicants are still exchanging legal documentation and it is expected that the matter will be heard by the High Court during the next financial year.

- **C-BRTA//Slabbert Burger**
  The Agency also lodged a review application against a ruling of the Transport Appeal Tribunal to allow a Namibian freight carrier to conduct cabotage operations with 80 foreign registered vehicles over 13 different routes in South Africa. The premise for the review application is based on an assertion that incomplete and or inaccurate information was placed before the Transport Appeal Tribunal, which resulted in a flawed ruling. This application will serve before the High Court during the first quarter of the next financial year.

Strategic Projects

Strategic objective	Key performance indicator	Target	Performance result	Variance explained
Market access regulated	Number of permits issued	90,000	71,100	The variance is attributed to the permit tariff increases that caused a displacement in the use of temporary permits to longer term permits. More stringent consideration of temporary passenger permits, to curb abuse, also resulted in a decrease in the use of temporary permits. The decrease in permits issued did not materially affect the projected permit revenue as a result of the increase in permit tariffs

Strategic Support

Introduction

The main purpose of the division is to have the C-BRTA mandate reviewed based on research, business case development and engagement with key stakeholders. The division undertakes research to provide advice based on reliable quantitative and qualitative data to support internal and external decision-making.

The programme was only established towards the end of 2010 with a total staff component of seven (7). The key functions of the division are:

- To conduct research on key areas that impact on the work of the C-BRTA;
- To advise the Minister as stipulated in the Act; and
- To co-ordinate and promote synergy between all divisional functions.

Operational Performance

In line with the strategic objective of reviewing the C-BRTA mandate, the Strategic Support division undertook various studies, enabling it to provide qualitative and quantitative data to the C-BRTA and to advise the Minister of Transport in terms of its mandate in the Act. In addition, the division set up a Project Management Office to support the five key projects identified in the Changing Gears Strategy and to ensure the delivery thereof. The year also saw the appointment of various senior specialists to the division in an effort to increase its technical capability.

The operational performance for the year under review reflects positively for the division, including governance in that it overachieved on two of its key performance areas and met the targets in the remaining areas.

In support of the five key strategic projects, the Project Management Office completed project plans for the following projects:

- Strategic Value Proposition Plan (SVPP)
- The Industry Partnership Development Plan (IPDP)
- Operator Compliance Accreditation Scheme (OCAS)
- Business Case for Streamlining Border Management
- Market Access Regulation (MAR)

A workshop with the Deputy Minister and the Board was successfully held on 6 July 2011 where a discussion was held so as to inform the direction of the projects C-BRTA is undertaking to increase substantive value add.

It is worth pointing out that four service providers were appointed in the year and the following reports commissioned:

- The trade supply chain analysis: border posts business process;
- The assessment of South African transport corridors and the impact impediments have on trade and investment;
- The assessment of route utilisation and impediments to passenger flow along the Durban-Lebombo and Durban-Beitbridge corridors and the subsequent development of a suitable model for regulating market access; and
- Raw data that is required for the study and development of the model necessary for the business case for the Strategic Value Proposition Plan was sourced independently.

The division affirms the successful completion and presentation to management of the Model for Trade Supply Chain Analysis for Development of Business Case for SVPP. The model alludes to the establishment of an integrating organisation that is able to coordinate the activities of a trade supply chain for the benefit of participating stakeholders, as well as for South Africa as a whole.

The successfully accomplished report on the analysis of business process at the borders focussed on the freight supply chains at two pre-determined border posts, with specific emphasis on the analysis of business processes, identification of impediments, international benchmarking, compliance checks and requirements, the SARS customs modernisation programme, preferential clearance and authorised economic operator and collaborative management models.

Main findings of the study relate to uncoordinated border practices, a practice which results in significant border delays. Currently, border agencies conduct their mandates independently from each other, with little or no information sharing taking place.

The study also favoured the establishment of a lead agency at South African borders in order to address current border post constraints.

The report on the assessment of South African transport corridors focusing on freight flows along the Durban-Lebombo (N4) and Durban-Beitbridge (N1) corridors was also concluded.

These corridors were modelled with freight demand data in order to create a visual representation of the trade supply chain for the N1 and N4 corridors. In doing so, major constraints (impediments) were identified along these corridors and remedial measures were proposed. In addition to the empirical part of the study, a qualitative review was undertaken that focused on international benchmarking practices. The aim of the benchmarking exercise was to identify and evaluate relevant studies conducted on the performance of trade supply chains. Specific emphasis was placed on constraints within trade supply chains and remedial measures undertaken (e.g. establishment of a one-stop border post (OSBP) at Chirundu) to address such constraints.

The study will inform the development of a business case for a cross-border trade supply chain. The study proposes financial interventions at certain borders (e.g. infrastructure expansion, new scanners and weighbridges), which could result in significant time and cost savings.

The report on the assessment of route utilisation and impediments to passenger flow along the Durban-Lebombo and Durban-Beitbridge corridors talks to the passenger and driver impediments, route utilisation and a model for market access. This study revealed the need to establish an effective regulatory system, which will provide a scientific basis according to which the Agency will issue permits.

A report on liberalising market access for road freight was also finalised. The content focused on defining and contextualising harmonisation and liberalisation, while also outlining its advantages and disadvantages. The purpose of the report was to understand the position of the country with regards to liberalising market access for road freight transport. Although the study revealed that some progress has been made with regards to liberalisation, the progress has been overshadowed by the lack of understanding and buy-in among key stakeholders.

The above projects are all aligned to the Changing Gears Strategy, which defines the new role of the Agency as a value-adding and prominent player in the cross-border environment. In line with the findings of these studies, the C-BRTA recently embarked on a new initiative called "Co-ordinated Border Management" (CBM), at both national and regional levels, which aims to improve border management efficiency, thereby reducing the time and cost involved in moving goods and passengers across borders. This underpins the need to establish a lead Agency at land (road) borders.

The challenges associated with border stakeholder coordination are not unique to South Africa, and internationally, scholars have dedicated substantial time and resources to the study of potential solutions to this problem. Internationally, the concept of "collaborated border management" has been coined to refer to the two sides of the solution necessary to address the institutional arrangements at border posts and required to develop optimal border flows (for both people and freight). The two aspects being:

- Domestic integration; and
- International integration.

The idea being that the integration or co-ordination of border post functions must be addressed, both within a single country, and on a regional basis between countries or international regions. The report details this concept and provides various international best practice examples.

Three reports on tourism and road statistics were compiled, which assisted the C-BRTA in understanding the market trends in these sectors. The study on road user charges was also completed and will be utilised in developing the business case.

With regard to governance, and in keeping with the strategic objective of improving institutional performance, the Board and its sub-committees met more than the required number of times as per the indicator. This is attributable specifically to the Regulatory Committee and is dependent on the number of permit applications received.

Strategic Projects

Strategic objective	Key performance indicator	Target	Performance result	Variance explained
C-BRTA mandate reviewed	Number of critical border agenda areas covered	8	8	Target met
	Number of strategic reports delivered	8	11	Some reports were commissioned prior to the approval of the Changing Gears Strategy, but nevertheless contributed to the strategy
	Number of inter-sectorial workshops held	2	2	Target met
	Number of key strategic projects the Strategic Value Proposition Plan is aligned with	3	3	Target met
Institutional performance improved	Number of Board and sub-committee meetings per year	21	23	Regulatory hearings and meetings are dependent on the number of applications received, hence two extra meetings were required

Statement on Corporate Governance

Statement on Corporate Governance

The Cross-Border Road Transport Agency is a statutory body established in terms of the Cross-Border Road Transport Act of 1998, as amended. It is listed as a Schedule 3A public entity in terms of the Public Finance Management Act (PFMA), as amended, and this report is therefore presented in terms of the relevant provisions of the PFMA.

The Government of the Republic of South Africa, represented by the Department of Transport, is the sole shareholder of the entity. Accordingly, the appointment of the Board of Directors is the responsibility of the shareholder and has been structured such that all Board members participate in the decision-making process with regard to strategy, planning, performance, business ethics, allocation of resources and communication with stakeholders.

The Board's relationship with its shareholder is managed through a performance agreement detailing its key performance indicators, which ensure that the Agency's targets, measures and outputs are clearly articulated to enhance the Board's accountability.

Board Accountability

The Board re-affirms its commitment to the principles of openness, transparency and accountability as enshrined in the standards of sound corporate governance, and continuously reviews its corporate governance structures and practices to align it with national best practice. Furthermore, the Board has adopted a stakeholder-inclusive approach by considering the legitimate interests and expectations of the stakeholder when considering what is in the best interests of the Agency.

The Board, as the Accounting Authority in terms of the PFMA, has adopted a Board Charter which is in line with King III and the apply-or-explain approach.

The Board Charter regulates how the Board and its sub-committees discharge their responsibilities according to the principles of good governance. The Charter aims to ensure that the Board of Directors understand their duties and responsibilities as well as the laws, regulations and best practices governing their conduct. It also details the division of responsibilities at Board and management level. The Board hereby confirms that it has conducted its affairs in accordance with this charter and all applicable laws and regulations.

The Board is committed to the highest standards of ethical behaviour in all its decisions and actions. This expectation is realised through the adoption of a Code of Conduct and the Fraud Prevention Policy.

The Board of Directors oversees the Agency's strategic direction, reviews its performance, authorises and monitors the implementation of strategic decisions, ensures legislative compliance and safeguards the assets of the entity. It formally delegates duties to management through various structures, including the Audit and Risk Committee, the Regulatory Committee, the Human Resources and Remuneration Committee and the Finance and Procurement Committee. The Board sub-committees are constituted according to the skills set required to enable the committee members to fulfil their functions.

The composition of the Board is premised on a unitary board structure, thereby ensuring interaction among all the Board members in the decision making process. The Board comprises eight (8) independent non-executive directors, all of whom have been appointed by the Minister of Transport in accordance with the provisions of the Cross-Border Road Transport Act.

The CEO and the shareholder representative are non-voting members of the Board. The Board convenes at least once a quarter to address and deliberate on strategic and other issues relevant to the C-BRTA in pursuit of its mandate. The Board also meets by means of special Board meetings if and when necessary to attend to other urgent matters.

In May 2011, an induction session was held for the Board. An external evaluation of the Board, as well as the Audit and Risk Committee was conducted in the year under review focusing on the effectiveness of the Board and this sub-committee.

Board Meeting Attendance Statistics

Meeting attendance by the Board for the reporting period 1 April 2011 to 31 March 2012 is tabulated below.

Member	05/05/2011	30/05/2011	12/08/2011	25/10/2011	30/01/2012	Total attendance
Mr M Matete (Chairperson)	√	√	√	√	√	5
Ms M Nkomo (Deputy Chairperson)	√	√	x	√	√	4
Mr S Khumalo	√	√	√	√	√	5
Ms N Nakene	√	√	√	√	√	5
Ms S Singh	x	√	√	√	√	4
Mr S Mngqibisa	x	√	√	√	x	3
Mr N Mhlongo	√	√	√	√	√	5
Mr H Dikgale	√	√	√	√	x	4
Mr G Kelly	x	√	x	√	√	3

√ Present at the meeting x Absent with apology

Sub-Committees of the Board

Audit and Risk Committee

The Audit and Risk Committee operates in accordance with its Board approved terms of reference which were reviewed by the Board in October 2011.

It assists the Board with the discharge of its duties in respect of ensuring an appropriate system of internal control, monitors compliance with the PFMA and other legislation, IT governance, reviews the integrity of the risk management system and significant risks facing C-BRTA. The committee is also responsible for reviewing the financial information and the annual financial statements. The committee comprises three independent non-executive directors and two specialist committee members and convenes at least once a quarter.

Audit and Risk Committee record of attendance

Member	24/05/2011	20/07/2011	18/08/2011	17/10/2011	23/01/2012	Total Attendances
Mr N Mhlongo (Chairperson)	√	√	√	√	√	5
Mr H Dikgale	√	-	-	-	-	1
Ms P Mzizi	x	√	√	√	x	3
Ms M Nakene	-	√	x	√	√	3
Ms P Sibiya	√	√	√	R	R	3
Ms S Singh	-	-	x	x	√	1

√ Present at the meeting x Absent with apology - Not yet appointed as a committee member
R Resigned as a member

Human Resources and Remuneration Committee

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

Human Resources and Remuneration Committee

Member	14/07/2011	17/10/2011	01/03/2012	Total attendance
Ms M Nkomo (Chairperson)	√	√	√	3
Mr N Mhlongo	x	√	x	1
Ms M Nakene	x	√	√	2
Mr S Khumalo	√	√	√	3
Mr G Kelly	√	-	-	1

√ Present at the meeting   x Absent with apology   - No longer a committee member

Regulatory Committee

The Regulatory Committee is constituted in terms of the section 13 of the Cross-Border Road Transport Act of 1998, as amended. The Committee is responsible for the consideration and granting of the various types of permits in accordance with the requirements of the Act. Additionally, the committee has the discretion to withdraw, suspend or vary a permit as directed in the Act.

Regulatory Committee

Member	21/04/2011	19/05/2011	23/06/2011	20/10/2011	17/11/2011	13/12/2011	Total attendance
Mr M Matete	√	√	√	√	√	√	6
Ms M Nkomo	√	√	√	√	√	√	6
Mr S Khumalo	√	x	√	√	x	√	4
Mr S Mngqibisa	√	√	√	√	x	x	4
Ms S Singh	√	√	√	√	√	√	6
Mr H Dikgale	√	x	x	x	x	√	2
Mr G Kelly	x	x	x	√	x	x	1

√ Present at the meeting   x Absent with apology

Annual Financial Statements

Content

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

Accounting Authority's Responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act 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 the 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 on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Authority acknowledge that it is ultimately responsible for the system of internal financial control established by the Agency, and places considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, 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 and ensuring that appropriate controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Accounting Authority has reviewed the Agency's cash flow forecast for the year to 31 March 2013 and, in the light of this review and the current financial position, it is satisfied that the Agency has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The Auditor-General of South Africa is 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 36.

The annual financial statements, as set out on pages 40 to 65, which have been prepared on the going concern basis, were approved by the Accounting Authority on 26 July 2012 and were signed on its behalf by:

Mr Matete Matete
Chairperson: Accounting Authority
Pretoria
26 July 2012

Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2012.

Audit Committee Responsibility

The Audit Committee is pleased to report that it is properly constituted as required by section 77 of the PFMA and has complied with its responsibilities arising from section 38(1) (a) of the PFMA and paragraph 27.1.10 of the Treasury Regulations. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, and has regulated its affairs in compliance with this charter. As mandated, we hereby report on the functions of the Audit Committee for the year ended 31 March 2012.

Audit Committee Meetings and Attendance

The Audit Committee consists of the members listed below. The Committee meets at least four (4) times per annum in line with its approved terms of reference. Five (5) meetings were held during the year under review. The attendance record of the different members is detailed below.

Member	24/05/2011	20/07/2011	18/08/2011	17/10/2011	23/01/2012	Total Attendances
Mr N Mhlongo (Chairperson)	√	√	√	√	√	5
Mr H Dikgale	√	-	-	-	-	1
Ms P Mzizi	x	√	√	√	x	3
Ms M Nakene	-	√	x	√	√	3
Ms P Sibiya	√	√	√	R	R	3
Ms S Singh	-	-	x	x	√	1

√ Present at the meeting x Absent with apology - Not yet appointed as a committee member
R Resigned as a member

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 taking into consideration the reports by both internal and external auditors; it has reviewed and assessed the following:

- the effectiveness of the internal control systems;
- the effectiveness of the risk management processes;
- the risk areas of the entity's operations to be covered in the scope of internal and external audits;
- the adequacy, reliability and accuracy of financial information provided to management and other users of such information;
- any accounting and auditing concerns identified as a result of internal and external audits;
- the activities of the internal audit function, including its annual work programme, coordination with the external auditors;
- the reports of significant investigations and the responses of management to specific recommendations; and where relevant, the independence and objectivity of the external auditors.

The Committee note the progress made by management in addressing internal control shortcomings reported by both internal and external auditors in the previous years.

The Audit Committee can conclude that significant improvements are still required within the internal control environment of the entity.

Evaluation of Financial Statements

The Audit Committee has:

- Reviewed the audited annual financial statements to be included in the annual report
- Reviewed accounting policies
- Reviewed the Auditor-General's management letter and management's response thereto
- Reviewed adjustments resulting from the audit.

The Audit Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements, and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

Internal Audit

The Audit Committee is satisfied that the internal audit function has addressed the high risks pertinent to the C-BRTA in its audit.

Auditor-General

We have met with the Auditor-General, and there are no unresolved issues.

Chairperson of the Audit and Risk Committee
Date 23 July 2012

REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE CROSS-BORDER ROAD TRANSPORT AGENCY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Cross-Border Road Transport Agency (C-BRTA) set out on pages 40 to 65, which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

Accumulated surpluses and receivables from non-exchange transactions

6. During 2010-11 there were inadequate systems of controls to satisfy myself as to the completeness of penalty revenue and receivables from non-exchange transactions for the year ended 31 March 2011. As no alternative audit procedures could be performed, my audit opinion on the financial statements for the period ended 31 March 2011 was modified accordingly. Therefore I am unable to determine the extent of the understatement of the opening balance of accumulated surpluses and receivables from non-exchange transactions for the current period's financial statements.

Opinion

7. In my opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the C-BRTA as at 31 March 2012 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of PFMA.

Emphasis of matters

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

Significant uncertainties

9. With reference to note 23 to the financial statements, the public entity is the defendant in a court case against the minister of Transport and the C-BRTA by the Road Freight Association. They are challenging the new fees for cross-border road transport permits, which became effective from 1 April 2011. The public entity is opposing the court action as it believes

due process was followed in increasing the permit fees. The ultimate outcome of the matter cannot currently be determined and no provision for any liability that may result has been made in the financial statements.

Restatement of corresponding figures

10. As disclosed in note 26 to the financial statements, the corresponding figures for 31 March 2011 have been restated as a result of an error discovered during 2011-2012 in the financial statements of the C-BRTA at, and for the year ended, 31 March 2011.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 14 to 28 of the annual report.

13. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury *Framework for managing programme performance information (FMPPI).*

    The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

14. The material findings are as follows:

Usefulness of information

Consistency

15. Treasury Regulation (TR) 30.1.3(g) requires that the strategic plan should form the basis for the annual report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. Section 55(2)(a) of the PFMA requires that the actual achievements against all planned indicators and targets must be reported annually. The reported objectives, indicators and targets are not consistent with the objectives, indicators and targets as per the approved strategic plan. The annual performance report submitted for audit purposes did not include the actual performance of all planned objectives, indicators and targets specified in the strategic and annual performance plan for the year under review and the misstatement cannot be quantified because the performance report was based on a strategic plan that was not approved and differs significantly from the original strategic plan. This is due to the lack of approval from the executive authority of the revised strategic and annual performance plan. The reported performance information was based on the revised plans.

16. Treasury Regulation 30.1.1 requires that the strategic plan must be approved by the executive authority. Therefore, if the strategic plan is changed in-year due to significant policy or mandate changes, the updated plan has to be approved by the executive authority. The objectives, indicators and targets reported in the annual performance report were inconsistent with the objectives, indicators and targets as per the approved strategic plan. The misstatement cannot be quantified because the performance report was based on a strategic plan that was not approved and differs significantly from the original strategic plan. This was due to significant policy or mandate changes that were made but not approved by the executive authority. This is because, to date and after follow-ups from C-BRTA, no approval was obtained from the executive authority for the revised strategic and annual performance plan. The performance information report was based on the revised plans and not the original plans

Reliability of information

Validity, accuracy and completeness

17. The National Treasury FMPPI requires that processes and systems which produce the indicator should be verifiable. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the validity, accuracy and completeness of the actual reported performance relevant to 50% of the following objectives. This was due to limitations placed on the scope of my work due to the absence of information systems, accurate supporting schedules and the institution's records not permitting the application of alternative audit procedures.

The objectives were

- Improve operator compliance.
- Increase roadside visibility.

Additional matters

18. I draw attention to the matters below. My conclusion is not modified in respect of these matters:

Achievement of planned targets

19. Of the total number of planned targets, only 21 out of 34 were achieved during the year under review. This represents 38% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that targets were not suitably developed during the strategic planning process and underspending of the budget related to the objectives. The revised strategic planning was also only implemented from August 2011.

Material adjustments to the annual performance report

20. Material audit adjustments in the annual performance report were identified during the audit, 50% of which were corrected by management.

Compliance with laws and regulations

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

Strategic planning and performance management

22. Treasury Regulation 30.1.1 requires that the strategic plan must be approved by the executive authority. The strategic plan was changed in-year due to significant policy and mandate changes, but the updated plan has not been approved by the executive authority.

Annual financial statements

23. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(a) of the PFMA. Material misstatements of liabilities, revenue and employee cost identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion on accumulated surpluses and receivables.

Procurement and contract management

24. A list of prospective suppliers was not in place for procuring goods and services through quotations and was therefore also not updated at least quarterly to include new suppliers that qualify for listing and prospective suppliers were not invited to apply for such listing at least once a year as per the requirements of National Treasury Practice Note 8 of 2007/08.

25. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.

26. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1. In some cases deviations were approved by the delegated officer even though it was not impractical to invite competitive bids, in contravention of Treasury regulation 16A6.4.

27. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and Treasury Regulations 16A6.3(b).

28. Contracts procured through quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury Regulation 16A8.3.

Expenditure management

29. The Accounting Authority did not take effective steps to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Financial misconduct

30. The accounting authority did not submit an annual schedule on the outcome of disciplinary hearings and/or criminal charges to the minister of Transport and the National Treasury, as required by Treasury Regulation 33.3.1.

Internal control

31. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

32. Management and delegated officials do not always exercise oversight responsibility over compliance with laws and regulations and internal controls relating to the supply chain management (SCM) process, which resulted in irregular expenditure.

33. The revised strategic plan and its performance objectives, indicators and targets which were reported on, were not duly approved by the relevant executive authority. The revised strategic plan was not approved by the executive authority despite the public entity following up with the executive authority.

34. Executive management did not exercise effective oversight and review of the financial reporting process. Material adjustments were made to the annual financial statements submitted for audit purposes.

35. Leadership's oversight regarding performance reporting needs to be improved as performance results were not always accurate, complete and valid.

Financial and performance management

36. Reliable, complete and accurate quarterly management information and reports on predetermined objectives are not prepared and properly reviewed as it was not in all cases possible to confirm the completeness, validity and accuracy of the performance results.

37. Internal controls were not in place to prevent and detect irregular expenditure. Irregular expenditure was not identified by management and therefore not reported during the monthly management accounts.

38. Non-compliance with SCM laws and regulations could have been prevented had compliance been properly reviewed and monitored. This included the non-compliance issues regarding the supply chain management process that resulted in irregular expenditure. There is a lack of appropriate means for monitoring compliance on a regular basis and compliance is not addressed in a timely manner.

39. Material and other adjustments were made to the annual financial statements submitted for audit purposes. These adjustments could have been avoided if the annual financial statements had been properly reviewed for completeness and accuracy.

OTHER REPORTS

Investigations

40. An investigation is being conducted to probe allegations of bribery and corruption against inspectors. The investigation aims to establish whether inspectors are performing corrupt activities and soliciting bribes. The investigation was still ongoing at the reporting date.

41. An investigation is being conducted to probe the manner in which permits are issued to applicants. The investigation aims to establish whether there are any irregularities with the issuing of permits as required by the standard operating procedures and the Cross-Border Road Transport Act. The investigation was still ongoing at the reporting date.

42. An investigation is being conducted to probe the manner in which a specific employee was appointed. The investigation aims to establish whether there were any irregularities during the recruitment and appointment process. The investigation was still ongoing at the reporting date.

Auditor-General

Pretoria
31 July 2012

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Statement of Financial Position

as at 31 March 2012

	Notes	2012 R	2011 R
Assets			
Current assets			
Receivables from exchange transactions	6	**656,253**	482,282
Receivables from non-exchange transactions	7	**2,045,390**	1,671,770
Cash and cash equivalents	8	**84,651,235**	3,019,679
		87,352,878	5,173,731
Non-current assets			
Property, plant and equipment	3	**7,572,399**	6,403,235
Intangible assets	4	**1,077,205**	485,929
		8,649,604	6,889,164
Total assets		**96,002,482**	12,062,895
Liabilities			
Current liabilities			
Finance lease obligation	9	**-**	17,792
Operating lease liability		**755,776**	537,301
Payables from exchange transactions	11	**12,567,098**	6,302,285
Other payables (non-exchange)		**500**	-
Provisions	10	**6,198,769**	-
		19,522,143	6,857,378
Non-current liabilities			
Retirement benefit obligation	5	**1,882,000**	1,658,000
Total liabilities		**21,404,143**	8,515,378
Net assets		**74,598,339**	3,547,517
Net assets			
Accumulated surplus		**74,598,339**	3,547,517

Statement of Financial Performance

for the year ended 31 March 2012

	Notes	2012 R	2011 R
Revenue	12	**179,907,340**	58,272,725
Other income		**3,156,927**	789,473
Operating expenses		**(114,236,706)**	(68,078,559)
Operating surplus/(deficit)	15	**68,827,561**	(9,016,361)
Interest received		**2,455,323**	589,125
Fair value adjustments		**(224,000)**	2,000
Finance costs	18	**(8,062)**	(5,329)
Surplus/(deficit) for the year		**71,050,822**	(8,430,565)

Statement of Changes in Net Assets

for the year ended 31 March 2012

	Accumulated surplus R	Total net assets R
Balance at 01 April 2010	**11,978,082**	**11,978,082**
Changes in net assets		
Surplus for the year	(8,430,565)	(8,430,565)
Total changes	(8,430,565)	(8,430,565)
Opening balance as previously reported	2,783,767	2,783,767
Adjustments		
Prior year adjustments	763,750	763,750
Balance at 01 April 2011 as restated	**3,547,517**	**3,547,517**
Changes in net assets		
Surplus for the year	71,050,822	71,050,822
Total changes	71,050,822	71,050,822
Balance at 31 March 2012	**74,598,339**	**74,598,339**

Cash Flow Statement

for the year ended 31 March 2012

	Notes	2012 R	2011 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		**184,350,966**	57,759,616
Payments			
Employee costs		**(61,805,588)**	(42,379,023)
Suppliers		**(39,130,306)**	(23,322,192)
Finance costs		**(6,684)**	(419)
		(100,942,578)	(65,701,634)
Net cash flows from operating activities	21	**83,408,388**	(7,942,018)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	**(3,070,689)**	(6,282,991)
Proceeds from sale of property, plant and equipment	3	**4,911**	23,967
Purchase of other intangible assets	4	**(923,208)**	(306,193)
Interest income		**2,455,323**	589,125
Net cash flows from investing activities		**(1,533,663)**	(5,976,092)
Cash flows from financing activities			
Repayment of other financial liabilities		**(224,000)**	2,000
Finance lease payments		**(19,170)**	(23,372)
Net cash flows from financing activities		**(243,170)**	(21,372)
Net increase/(decrease) in cash and cash equivalents		**81,631,555**	(13,939,482)
Cash and cash equivalents at the beginning of the year		**3,019,679**	16,959,161
Cash and cash equivalents at the end of the year	8	**84,651,234**	3,019,679

Accounting Policies

1. Basis of Preparation and Presentation of the Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 55(1)(b) of the PFMA, as amended by Act 29 of 1999. Assets, liabilities, revenue and expenses have not been offset, except where offsetting is required or permitted by a standard of GRAP. The accounting policies are applied and are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy. The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for financial instruments that are initially (and in certain circumstances subsequently) measured at fair value. Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

These annual financial statements are presented in South African Rand, which is the Agency's trading currency.

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

These accounting policies are consistent with the previous period.

Use of estimates and judgements

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

Property, plant and equipment

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

Intangible assets

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

Impairment of non-financial assets

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

Trade and other receivables

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

Leases

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

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

Provision

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

Recognition of penalty income

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

Defined benefit obligations

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

Fair value

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

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

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

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

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

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

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

Item	Average useful life
Furniture and fittings	5 – 12 years
Office equipment	5 – 12 years
Computer equipment	3 – 9 years
Leasehold improvements	4 – 5 years
Mobile offices	10 years
Signage	10 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 entity 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 method is reviewed on a annual basis.

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

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

1.2 Intangible Assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the Agency; and
- The cost of the asset can be measured reliably.

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

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

When an intangible asset is acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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

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

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

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

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

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

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

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

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

1.3 Financial Instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

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

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

- 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; and
- 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 entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- Cash;
- A residual interest of another entity; or
- A contractual right to:
  - Receive cash or another financial asset from another entity; or
  - Exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the original or modified terms of a debt instrument.

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

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

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument, its issuer, or factors affecting all similar financial instruments traded in the market.

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- Equity instruments or similar forms of unitised capital;
- A formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- A formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

- The entity designates at fair value at initial recognition; or
- Are held for trading.

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

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

- Derivatives;
- Combined instruments that are designated at fair value;

- Instruments held for trading. A financial instrument is held for trading if:
  - It is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
  - 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 receivable	Financial asset measured at fair value

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

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

Initial recognition

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

The Agency recognises financial assets using trade date accounting.

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; and
- 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 Agency 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.

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.

1.4 Leases

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

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

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

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

- An entity'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.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions whereby through an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and, as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity 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 benefits in the cost of an asset.

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

The entity recognises the expected cost of bonus, incentive and performance-related payments when the entity 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 an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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

When an employee has rendered service to the entity during a reporting period, the entity 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, an entity recognise 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.

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.

1.6 Provisions and Contingencies

Provisions are recognised when:

- The entity 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 entity settles the obligation, the reimbursement is treated as a separate asset, or 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 an entity:

- 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;
  - 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- Necessarily entailed by the restructuring; and
- Not associated with the on-going activities of the entity.

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

1.7 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.

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.

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.

Courier and priority mail

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

Measurement

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

Interest received

Revenue arising from the use by others of the Agency's assets yielding interest and 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.

1.8 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.

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 4 of 1998.

Application fees

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

Penalty revenue

Penalties are economic benefits or service potential received or receivable by entities, 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 a court or other law enforcement body.

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.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Recognition

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

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

Measurement

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

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

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

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

1.9 Borrowing Costs

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

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

1.10 Comparative Figures

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

1.11 Fruitless and Wasteful Expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

1.12 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:

- The Act; or
- The State Tender Board Act 86 of 1968, or any regulations made in terms of the Act; or

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

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

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

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

1.13 Conditional Grants and Receipts

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

1.14 Budget Information

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

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

The annual financial statements and the budget are not compiled on the same basis of accounting, therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 31.

1.15 Related Parties

The entity 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 entity, including those charged with the governance of the entity 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 entity.

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

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and Interpretations Effective and Adopted in the Current Year

In the current year, the entity 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
IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities	01 April 2011
IGRAP 3: Determining Whether an Arrangement Contains a Lease	01 April 2011
IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	01 April 2011
IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies	01 April 2011
IGRAP 6: Loyalty Programmes	01 April 2011
IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions	01 April 2011
IGRAP 9: Distributions of Non-cash Assets to Owners	01 April 2011
IGRAP 10: Assets Received from Customers	01 April 2011
IGRAP 13: Operating Leases – Incentives	01 April 2011
IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease	01 April 2011
IGRAP 15: Revenue – Barter Transactions Involving Advertising Services	01 April 2011
GRAP 1 (as revised 2010): Presentation of Financial Statements	01 April 2011
GRAP 2 (as revised 2010): Cash Flow Statements	01 April 2011
GRAP 3 (as revised 2010): Accounting Policies, Changes in Accounting Estimates and Errors	01 April 2011
GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates	01 April 2011
GRAP 9 (as revised 2010): Revenue from Exchange Transactions	01 April 2011
GRAP 10 (as revised 2010): Financial Reporting in Hyperinflationary Economies	01 April 2011
GRAP 11 (as revised 2010): Construction Contracts	01 April 2011
GRAP 12 (as revised 2010): Inventories	01 April 2011
GRAP 13 (as revised 2010): Leases	01 April 2011
GRAP 14 (as revised 2010): Events After the Reporting Date	01 April 2011
GRAP 16 (as revised 2010): Investment Property	01 April 2011
GRAP 17 (as revised 2010): Property, Plant and Equipment	01 April 2011
GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets	01 April 2011
GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations	01 April 2011
GRAP 105: Transfers of Functions Between Entities Under Common Control	01 April 2011

The Agency adopted the GRAP 23: Revenue from non-exchange transactions for policy purposes.

2.2 Standards and Interpretations Issued, but not yet Effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2012 or later periods:

Standard/interpretation:	Effective date: Years beginning on or after
GRAP 18: Segment Reporting	01 April 2013
GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012
GRAP 103: Heritage Assets	01 April 2012
GRAP 21: Impairment of Non-cash-generating Assets	01 April 2012
GRAP 26: Impairment of Cash-generating Assets	01 April 2012
IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	01 April 2013
GRAP 106: Transfers of Functions Between Entities not Under Common Control	01 April 2014
GRAP 107: Mergers	01 April 2014
GRAP 20: Related Parties	01 April 2013

3. Property, Plant and Equipment

	2012			2011		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	1,951,862	(263,250)	1,688,612	1,192,900	(114,025)	1,078,875
Office equipment	831,899	(356,046)	475,853	720,029	(237,697)	482,332
Computer equipment	3,371,664	(912,353)	2,459,311	1,653,773	(344,104)	1,309,669
Leasehold improvements	4,459,044	(1,573,551)	2,885,493	4,068,206	(600,488)	3,467,718
Mobile offices	24,750	(11,956)	12,794	24,750	(11,042)	13,708
Signage	56,075	(5,739)	50,336	53,197	(2,264)	50,933
Total	**10,695,294**	**(3,122,895)**	**7,572,399**	**7,712,855**	**(1,309,620)**	**6,403,235**

Reconciliation of property, plant and equipment – 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1,078,875	766,950	(3,226)	(153,987)	1,688,612
Office equipment	482,332	135,533	(7,879)	(134,133)	475,853
Computer equipment	1,309,669	1,774,490	(40,616)	(584,232)	2,459,311
Leasehold improvements	3,467,718	390,838	-	(973,063)	2,885,493
Mobile offices	13,708	-	-	(914)	12,794
Signage	50,933	2,878	-	(3,475)	50,336
	6,403,235	**3,070,689**	**(51,721)**	**(1,849,804)**	**7,572,399**

Reconciliation of property, plant and equipment – 2011

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Furniture and fixtures	108,261	1,061,702	(31,177)	10,199	(70,110)	1,078,875
Office equipment	607,702	71,901	(50,173)	8,944	(156,042)	482,332
Computer equipment	592,347	1,027,985	(61,866)	4,989	(253,786)	1,309,669
Leasehold improvements	-	4,068,206	-	-	(600,488)	3,467,718
Mobile offices	-	-	-	-	13,708	13,708
Signage	-	53,197	-	-	(2,264)	50,933
	1,308,310	**6,282,991**	**(143,216)**	**24,132**	**(1,068,982)**	**6,403,235**

4. Intangible Assets

	2012 Cost	2012 Accumulated amortisation and accumulated impairment	2012 Carrying value	2011 Cost	2011 Accumulated amortisation and accumulated impairment	2011 Carrying value
Computer software	2,566,088	(1,488,883)	1,077,205	1,642,880	(1,156,951)	485,929

Reconciliation of intangible assets – 2012

	Opening balance	Additions	Amortisation	Total
Computer software	485,929	923,208	(331,932)	1,077,205

Reconciliation of intangible assets – 2011

	Opening balance	Additions	Amortisation	Total
Computer software	207,138	306,193	(27,402)	485,929

5. Employee Benefit Obligations

Defined benefit plan

The defined benefit plan, to which 11 members (2011: 10 members) belong, consists of the Government Employee Medical Scheme. The Agency's obligation is limited to a monthly contribution of R1,014 per month.

The actuarial valuation determined that the retirement plan was in a sound financial position. The plan is a post-employment medical benefit plan.

Post-retirement medical aid plan

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

	2012 R	2011 R
Carrying value		
Members in active employment	**(492,000)**	(433,000)
Current continuation members	**(1,390,000)**	(1,225,000)
	(1,882,000)	(1,658,000)

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

	2012 R	2011 R
Opening balance	**(1,658,000)**	(1,660,000)
Benefits paid	**146,000**	101,396
Net expense recognised in the statement of financial performance	**(370,000)**	(99,396)
	(1,882,000)	(1,658,000)

Net expenses recognised in the statement of financial performance

	2012 R	2011 R
Current service cost	**(6,000)**	(9,000)
Interest cost	**(152,000)**	(150,000)
Actuarial (gains)/losses	**(212,000)**	59,604
	(370,000)	(99,396)

Key assumptions used

Assumptions used at the reporting date:

	2012	2011
Discount rates used	**8.40 %**	9.15 %
Medical cost trend rates	**9.14 %**	9.30 %
Expected increase in salaries	**6.14 %**	6.00 %

Defined contribution plan

It is the policy of the entity to provide retirement benefits to all its employees (or specify number of employees covered). A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

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

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Fund(s) and is (are) a defined benefit plan(s), but due to the fact that sufficient information is not available to enable the entity to account for the plan(s) as a defined benefit plan(s). The entity accounted for this (these) plan(s) as a defined contribution plan(s).

6. Receivables from Exchange Transactions

	2012 R	2011 R
Deposits and prepayment	**656,253**	482,282

Credit quality of trade and other receivables

The credit quality of trade and other receivables 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.

7. Receivables from Non-Exchange Transactions

Penalty revenue	**1,536,050**	1,659,270
Levies	**369,840**	-
Other taxes	**139,500**	-
Employee related receivables	**35,331**	47,831
Provision for doubtful debt	**(35,331)**	(35,331)
	2,045,390	1,671,770

The penalty revenue receivable presents payments made by offenders to courts and not yet received.

8. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Cash on hand	**3,500**	1,230
Bank balances	**9,157,408**	1,158,654
Short-term deposits	**75,490,327**	1,859,795
	84,651,235	3,019,679

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.

9. Finance Lease Obligation

Minimum lease payments due		
– within one year	-	17,792
Present value of minimum lease payments due		
– within one year	-	17,792

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

10. Provisions

Reconciliation of provisions – 2012

	Opening balance	Additions	Total
Provision for staff bonuses	-	6,198,769	6,198,769

The staff bonus provision was estimated at a maximum of 10% of gross salaries based on the performance management system. Each employee will be assessed individually and rewarded for the financial year's performance.

11. Payables from Exchange Transactions

	2012 R	2011 R
Trade payables	**3,574,962**	1,151,141
Payments received in advanced – contract in process	**2,974,962**	1,255,833
Voluntary employee deductions	**18,981**	2,488
Accrued leave pay	**3,033,355**	1,753,441
Accrued bonus	**726,398**	713,046
Workmans compensation accrual	**187,989**	142,550
CCMA accrual	**-**	300,000
Other accrued expenses	**1,000,000**	1,000,000
Statutory liabilities	**1,050,451**	(16,214)
	12,567,098	6,302,285

12. Revenue

Penalty revenue	**15,017,190**	15,765,050
Permit issue fees	**122,361,290**	30,153,005
Permit application fees	**42,528,860**	12,354,670
	179,907,340	58,272,725

The amount included in revenue arising from non-exchange permit issue transactions is as follows:

Permit issue fees	**122,361,290**	30,153,005
Permit application fees	**42,528,860**	12,354,670
	164,890,150	42,507,675

The amount included in revenue arising from non-exchange penalty transactions is as follows:

Taxation revenue		
Penalty revenue	**15,017,190**	15,765,050
Transfer revenue		

13. Other Revenue

	2012 R	2011 R
Postage, administrative and priority mail charges	**3,156,927**	779,473
Donations received	**-**	10,000
	3,156,927	789,473

14. General Expenses

Advertising	**349,743**	377,646
Auditors remuneration	**2,950,711**	2,124,802
Bank charges	**1,349,495**	418,712
Cleaning	**226,694**	-
Consulting and professional fees	**7,000,156**	6,336,195
Entertainment	**418,807**	266,731
Gifts	**12,979**	-
Insurance	**108,073**	107,245
Conferences and seminars	**162,079**	639,403
IT expenses	**1,603,592**	536,093
Lease rentals on operating lease	**3,668,978**	3,008,726
Magazines, books and periodicals	**58,588**	-
Placement fees	**2,198,777**	-
Printing and stationery	**1,407,162**	1,111,692
Security (Guarding of municipal property)	**341,408**	174,562
Staff welfare	**450,903**	27,420
Subscriptions and membership fees	**361,513**	312,607
Telephone and fax	**2,022,704**	1,656,450
Training	**1,444,287**	163,437
Travel – local	**12,488,711**	5,286,868
Assets expensed	**91,518**	38,566
Electricity	**349,868**	273,377
Uniforms	**22,233**	166,019
Project expenses	**1,188,086**	265,422
Other expenses	**446,139**	645,524
	40,723,204	23,937,497

15. Operating Surplus/(Deficit)

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

Operating lease charges		
Premises		
– Contractual amounts	**3,668,978**	3,008,726
Loss on sale of property, plant and equipment	**(46,810)**	(119,249)
Amortisation on intangible assets	**331,932**	27,402
Depreciation on property, plant and equipment	**1,849,803**	1,068,979
Employee costs	**70,758,491**	42,613,452

16. Employee Related Costs

	2012 R	2011 R
Basic salary	**39,989,095**	25,643,334
Bonus	**6,198,769**	-
Medical aid – company contributions	**2,547,056**	1,958,032
UIF	**280,307**	217,166
WCA	**200,301**	184,394
Leave pay provision charge	**1,387,335**	229,412
Short-term benefit	**6,249,737**	3,780,921
Overtime payments	**156**	-
Long-service awards	**319,771**	-
13th cheques	**3,046,624**	2,355,717
Car allowance	**3,431,340**	3,588,713
Danger allowance	**207,460**	208,120
Night shift allowance	**55,469**	63,112
	63,913,420	38,228,921

Remuneration of Chief Executive Officer

Annual remuneration	**1,695,220**	1,337,662
Allowance	**46,251**	27,500
	1,741,471	1,365,162

Remuneration of Chief Financial Officer (Current)

Annual remuneration	**132,092**	-
Car allowance	**19,154**	-
	151,246	-

17. Debt Impairment

Debt impairment	**-**	35,331

18. Finance Costs

Trade and other payables	**6,684**	419
Finance leases	**1,378**	4,910
	8,062	5,329

19. Auditors' Remuneration

External audit	**2,626,846**	1,776,806
Internal audit	**323,865**	347,996
	2,950,711	2,124,802

20. Operating Lease

The Agency is a party to operating lease agreements with Erf 49 Menlyn (Proprietary) Limited for periods between four and a half and five years commencing 01 February 2010 and terminating on 31 January 2015. The lease is for building three and five, Glen Manor Office Park, 138 Frikkie de Beer Street, Menlyn, Pretoria. The lessee's significant leasing arrangements include:

- The lease shall escalate annually on 1 February of each year by 9%; and
- The Agency has renewal options.

The Agency also has an operating lease for a PABX system.

	2012 R	2011 R
Minimum lease payments due		
– within one year	**2,667,319**	2,581,453
– in second to fifth year inclusive	**5,456,394**	8,204,459
	8,123,713	10,785,912

21. Cash Generated from/(Used in) Operations

	2012 R	2011 R
Surplus/(deficit)	**71,050,822**	(8,430,565)
Adjustments for:		
Depreciation and amortisation	**2,181,735**	1,096,381
Gain on sale of property, plant and equipment	**46,810**	119,249
Fair value adjustments	**224,000**	(2,000)
Finance costs – Finance leases	**1,378**	4,910
Interest income	**(2,455,323)**	(589,125)
Debt impairment	**-**	35,331
Movements in operating lease assets and accruals	**218,475**	334,891
Movements in retirement benefit assets and liabilities	**224,000**	(2,000)
Movements in provisions	**6,198,769**	-
Adjustment to cost of Department of Transport assets	**-**	(24,130)
Changes in working capital:		
Receivables from exchange transactions	**(173,971)**	(62,576)
Other receivables from non-exchange transactions	**(373,620)**	(1,662,443)
Staff debtors	**-**	(35,331)
Payables from exchange transactions	**6,264,813**	1,275,390
Taxes and transfers payable (non-exchange)	**500**	-
	83,408,388	(7,942,018)

22. Commitments

Authorised capital expenditure

	2012 R	2011 R
Already contracted for but not provided for		
– Property, plant and equipment	**713,197**	984,108

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

Auhorised operating expenditure

	2012 R	2011 R
Already contracted for but not provided for		
Operating expenditure	**553,225**	-

This committed expenditure relates to operating expenditure and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

23. Contingencies

There is an ongoing litigation against the Agency lodged by the Road Freight Association emanating from the permit tariff increases on 1 April 2011. The litigants allege that the Agency has acted unlawfully, and are seeking reimbursement of permit fees estimated at R110,000,000. The Agency's lawyers and management consider the likelihood of the action against the Agency being successful as unlikely, and the case should be resolved within the next two years.

Other litigations that are in process against the Agency relate to disputes with two offenders emanating from the impoundment of their vehicles. The litigants allege that the Agency has unlawfully impounded and are seeking compensation for the loss of income of R12,030,000. The Agency's lawyers and management consider the likelihood of the action against the Agency being successful as unlikely, and the case should be resolved within the next two years.

24. Directors' Emoluments

Non-executive

2012	Emoluments	Reimbursive expenditure	Total
M Matete (Chairperson)	153,433	16,557	169,990
MMD Nkomo (Deputy Chairperson)	119,294	9,230	128,524
H Dikgale	119,294	7,995	127,289
GA Kelly	119,294	248	119,542
S Singh	119,294	5,180	124,474
AN Mhlongo	125,249	13,092	138,341
M Nakene	119,294	3,370	122,664
	896,344	**58,243**	**954,587**

2011	Emoluments	Reimbursive expenditure	Total
M Matete	73,111	5,335	78,446
PG Phalafala	73,063	990	74,053
L Twalo	67,173	4,908	72,081
N Ally	45,195	-	45,195
H Dikgale	114,348	3,256	117,604
B Horne	114,796	12,666	127,462
B Mpondo	113,613	5,367	118,980
GA Kelly	56,806	1,038	57,844
S Singh	56,806	-	56,806
M du Preez	56,806	2,520	59,326
	771,717	**36,080**	**807,797**

Service contracts

The directors 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.

Remuneration of executive management

2012	Annual remuneration	Total allowances	Total
Chief Executive Officer	1,695,220	46,251	1,741,471
Executive: Road Transport Inspectorate	867,904	49,692	917,596
Executive: Regulatory and Legal Services	859,797	46,263	906,060
Chief Financial Officer (Appointed 01 February 2012)	132,092	19,154	151,246
Chief Financial Officer – Former (Resigned 31 January 2012)	851,100	40,516	891,616
Executive: Corporate Services	834,346	17,474	851,820
Executive: Facilitation and Industry Development	706,066	118,327	824,393
Executive: Governance and Strategic Support	542,029	18,840	560,869
	6,488,554	**356,517**	**6,845,071**

2011	Annual remuneration	Lump sum payments	Total allowances	Total
Chief Executive Officer	1,337,662	-	27,500	1,365,162
Executive: Road Transport Inspectorate	559,148	-	12,000	571,148
Executive: Regulatory and Legal Services	712,103	-	14,400	726,503
Chief Financial Officer (Appointed 01 November 2010)	406,811	-	6,000	412,811
Chief Financial Officer – Former (Resigned 31 August 2010)	338,580	428,988	6,055	773,623
Executive: Corporate Services (Appointed 01 November 2010)	342,110	-	14,300	356,410
Executive: Corporate Services – Former (Resigned 31 July 2010)	163,078	66,886	5,127	235,091
Executive: Facilitation and Industry Development	706,347	-	13,200	719,547
	4,565,839	**495,874**	**98,582**	**5,160,295**

25. Change in Accounting Policy

Revenue recognition

During the financial year under review, the Agency changed its accounting policy for revenue recognition on income derived from permit income. In the past, the revenue was classified as Revenue from Exchange transactions. The change in accounting policy now recognises this revenue as Revenue from non-exchange transactions.

There is no impact on the statement of financial position, statement of financial performance, statement of changes in net assets, or cash flow statement.

26. Prior Period Errors

The correction of the prior year error relates to the discovery of unaccounted receivables from courts and carriers. The revenue was accordingly restated and an appropriate receivable recognised.

The correction of the error(s) results in adjustments as follows:

	2012 R	2011 R
Statement of financial position		
Receivable from non-exchange transactions: Penalty revenue	**743,050**	36,085
Receivable from non-exchange transactions: Permit revenue	**20,700**	-
Statement of financial performance		
Revenue	**763,750**	36,085

27. Risk Management

Financial Risk Management

Liquidity risk
The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk
As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

28. Going Concern

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

During the financial year ending 31 March 2011, the entity had accumulated deficits of R8,430,565. On 01 April 2011 the permit tariffs were increased, contributing to an accumulated surplus of R75,328,299 as at 31 March 2012.

29. Fruitless and Wasteful Expenditure

	2012 R	2011 R
Fruitless and wasteful expenditure	**456,823**	684,647

Fruitless and wasteful expenditure were incurred due to penalties and interest on late payment of employees tax and Unemployment Insurance Fund contributions amounting to R448,866. The Agency paid interest on overdue accounts of R6,684. R888 penalty on late payment of provident fund contributions and R385 cancellation fee for accommodation.

30. Irregular Expenditure

Add: Irregular expenditure – current year	**14,265,818**	9,114,501
Less: Amounts condoned	**-**	(9,114,501)
Less: Amounts not recoverable (not condoned)	**(14,265,818)**	-
	-	-

Analysis of expenditure awaiting condonation per age classification

Current year	**14,265,818**	-

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	2012 R
Irregular expenditure relates to non-compliance with the Preferential Procurement Policy Framework Act. The preferential point system was not applied in awarding of procurement.	Irregular expenditure for the current financial year are still being investigated.	**14,265,818**

Details of irregular expenditure condoned

	Condoned by (condoning authority)	2012 R
Irregular expenditure incurred in the 2010/11 financial year related to non-compliance with the supply chain management prescripts.	Irregular expenditure for the 2010/11 financial year was subsequently condoned by the Board.	**9,114,501**

31. Reconciliation between Budget and Statement of Financial Performance

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

	2012 R	2011 R
Net surplus (deficit) per the statement of financial performance	**71,050,822**	(8,430,565)
Adjusted for:		
Loss on the sale of assets	**46,810**	119,249
Finance charges	**1,378**	4,910
Fruitless and wasteful expenditure	**456,823**	645,524
Over-recovery of budgeted revenue	**(3,095,009)**	8,859,677
Depreciation	**(5,405,435)**	(75,256)
Operating expenditure	**(14,999,034)**	-
Employment cost	**(48,056,355)**	(1,123,539)
Net surplus per approved budget	**-**	-

Detailed Income Statement

for the year ended 31 March 2012

	Notes	2012 R	2011 R
Revenue			
Penalty revenue		**15,017,190**	15,765,050
Permit issue fees		**122,361,290**	30,153,005
Permit application fees		**42,528,860**	12,354,670
Other income		**3,156,927**	779,473
Donation received		**-**	10,000
Interest received – investment		**2,455,323**	589,125
Total revenue		**185,519,590**	59,651,323
Expenditure			
Employee costs	16	**(70,758,491)**	(42,613,452)
Transfer payments		**(158,307)**	(37,867)
Depreciation and amortisation		**(2,181,735)**	(1,096,381)
Finance costs	18	**(8,062)**	(5,329)
Debt impairment	17	**-**	(35,331)
Collection costs		**(120,104)**	(101,502)
Repairs and maintenance		**(248,055)**	(137,280)
Loss on disposal of assets		**(46,810)**	(119,249)
General expenses	14	**(40,723,204)**	(23,937,497)
Total expenditure		**(114,244,768)**	(68,083,888)
Fair value adjustments		**(224,000)**	2,000
Surplus/(deficit) for the year		**71,050,822**	(8,430,565)

The supplementary information presented does not form part of the annual financial statements and is unaudited.

Notes

Notes

CROSS•BORDER
ROAD TRANSPORT AGENCY

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 12 348 1357
Fax: +27 12 369 8485

www.cbrta.co.za

RP240/2012
ISBN: 978-0-621-41130-0