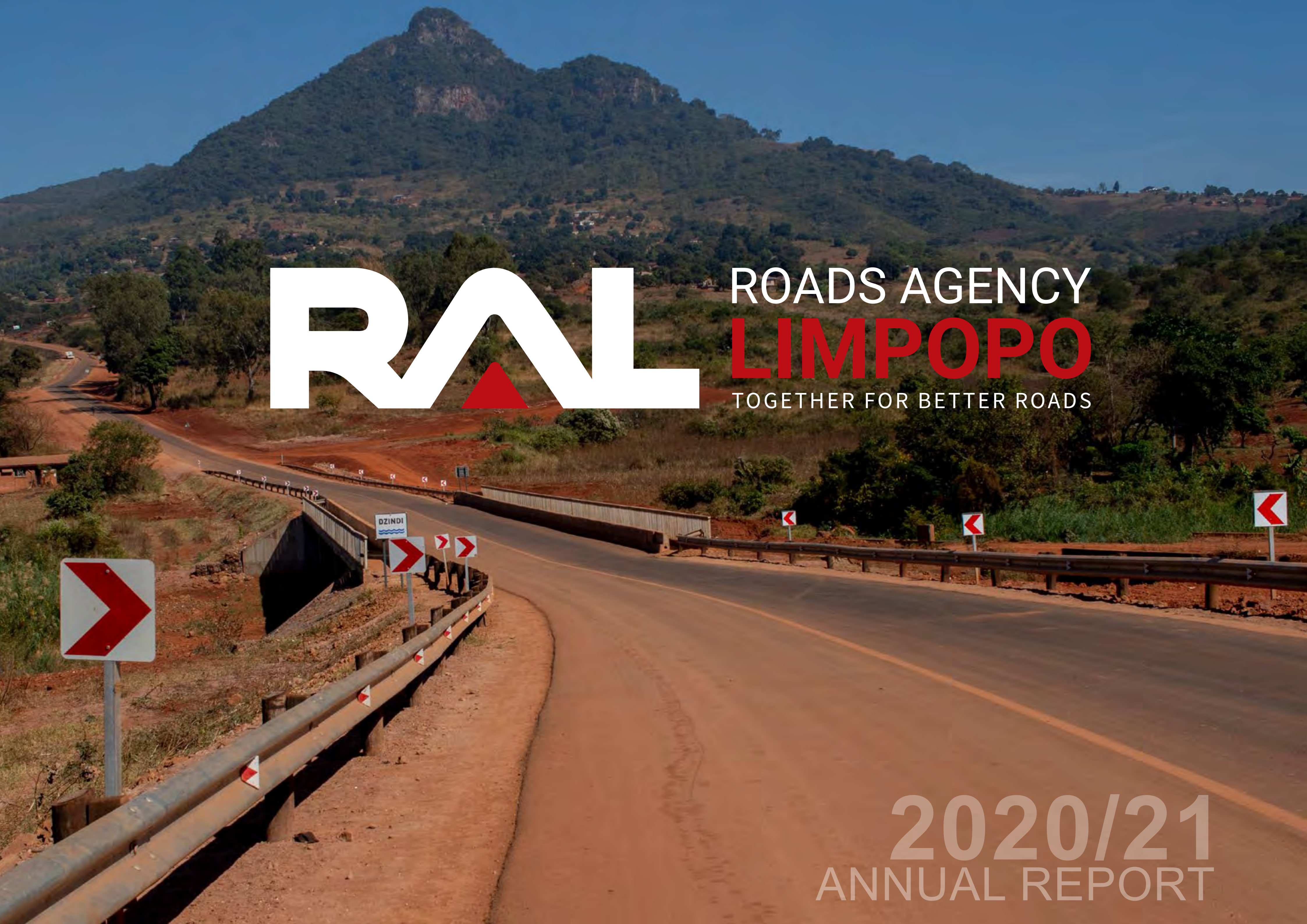


RAL

ROADS AGENCY LIMPOPO

TOGETHER FOR BETTER ROADS

2020/21 ANNUAL REPORT

INTRODUCING...

NEW
RAL
LOGO

ROADS AGENCY LIMPOPO
Together for better roads

1994
South Africa's First Democratic
Government (of National Unity)
Established

1999
Company
Established

2000
Company
Starts
Operations

2001
Company
First Logo
Adopted

Part A: General Information

Part B: Performance Information

Part C: Governance, Risk and Compliance Management

Part D: Human Resources Report

Part E: Stakeholder Engagement and Communications

Part F: Financial Information

Part G: Financial Statements

Bridge Dongolo River Road R572 Musina - Mapungubwe

PART A

GENERAL INFORMATION

1. Public Entity's General Information

Directors	Mr M.S Ralebipi (Chairperson); Mr G.M Maluleke (CEO); Ms T. Kekana (Company Secretary); Ms W.N.G Moleko; Ms T.M Ramabulana; Mr M Phukuntsi; Ms. M. Mokoka; Ms. N.A. Moloisi; Adv. K.B. Morota; Ms. S.R. Mushwana
Registered Name	Roads Agency Limpopo (SOC) Ltd
Registration Number	2001/025832/30
Physical Address	26 Rabe Street Polokwane 0700
Postal Address	Private Bag X 9554 Polokwane 0700
Telephone Number	+(27)15 284 4600
Website Address	www.ral.co.za
External Auditors	Auditor-General South Africa
Bankers	ABSA Bank Limited
Company Secretary	Ms. Tebogo Kekana

2. List of Abbreviations / Acronyms

RAL	Roads Agency Limpopo (SOC) Ltd
LDPWRI	Limpopo Department of Public Works, Roads and Infrastructure
AGSA	Auditor-General South Africa
MEC	Member of Executive Council
BBBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
PFMA	Public Finance Management Act 1 of 1999
TR	Treasury General
MTEF	Medium-Term Expenditure Framework
SMME	Small Medium and Micro Enterprises
SCM	Supply Chain Management
GRAP	Generally Recognised Accounting Practice

3: Strategic Overview

The annual report forms part of Roads Agency Limpopo's (RAL) public accountability and responsibility to the shareholder, the Limpopo Provincial Department of Public Works, Roads and Infrastructure (LDPWRI) as well as its key stakeholders. The report which covers the period of 1 April 2020 to 31 March 2021 outlines RAL's mandate, its strategic focus areas and a summary of how the Agency gave effect to its mandate during the financial year under review. In selecting the quantitative and qualitative information for the report, RAL strove to be concise but reasonably comprehensive whilst at the same time adhering to the principle of materiality – content that demonstrates the Agency's value creation process in the short, medium and long term.

3.1 Vision

Contributing to the socio-economic development by connecting the people of Limpopo Province.

3.2 Mission

To provide quality and sustainable provincial road infrastructure network for the economic development of Limpopo Province.

3.3 Values

As an ethically driven organisation, RAL's operations and conduct in the next five years will be guided by the following enduring values which are summarised below:

Core Values - Roads Agency Limpopo

Commitment	We are committed to delivering quality road infrastructure in the province with pride
Reliability	We offer reliable, safe and economic road infrastructure
Efficiency	We will go the extra mile in serving our communities
Accountability	We remain accountable to all our stakeholders and the environment
Transparency	We are transparent in both our internal and external business processes
Excellence	We strive to exceed expectations
Diversity	We value and embrace diversity within the work context
Teamwork	We work together for better roads

4. Foreword by the MEC

MR. NAMANE DICKSON MASEMOLA (MPL)
MEC: Department of Public Works, Roads and Infrastructure

The financial year under review (2020-21) proved to be another challenging year as we continue to steer the service delivery program in the midst of a turbulent COVID-19 storm, particularly given the waves of infections that would, from time to time, adversely impact upon the rollout of infrastructure in the province. This is the year that saw government beginning engagements with various countries and experts in an intensive drive to secure vaccines and prioritise the preservation of life, since the advent of this deadly virus. The Department and the Provincial Administration have similarly been affected and continue to lead a response to the pandemic.

In line with our mandate of ensuring the delivery and maintenance of provincial roads, we planned to heighten the creation of job opportunities and support livelihoods by accelerating the roads infrastructure delivery and maintenance, and ensure continuous change of the socio-economic conditions of the people, to make a better life for all a reality, as directed so by the policy priorities and are expected to ensure economic transformation and job creation. Guaranteeing the socio-economic viability of the people of Limpopo remains apex amongst the priorities of the Department and the entity – Roads Agency Limpopo – driven through the implementation of roads projects.

This report takes stock of the work of the Roads Agency Limpopo against the targets as set in the beginning of the financial year 2020-21. The Annual Performance Plan 2020-21 in terms of its targets aimed at addressing the infrastructure delivery backlog and also accelerating on the initiatives that do not only ensure continued rollout of infrastructure, but also to ensure quality roads. Furthermore, this is important to create economic opportunities to help empower SMMEs and individuals with skills.

Understanding that none would have been achieved had it not been for the hardworking women and men of the public service with their varying capabilities and skills; we would like to appreciate them. In the same vein, we challenge and encourage them to do even greater as we move forward – to ensure achievement of all set targets, prudent financial management and positive impact on the life of an ordinary citizen.

NAMANE DICKSON MASEMOLA
MEC: Department Of Public Works, Roads and Infrastructure

Ga-Maila - Maphanama Road D4200 - Sekhukhune District

5. Statement by the Board Chairperson

MR MATOME RALEBIPI
Chairperson: RAL | Board of Directors

Let us first congratulate the CEO of RAL and his Executive Management for working tirelessly and maintaining the Unqualified Audit Opinion and not regressing. This, in the view of the RAL Board of Directors, is a great achievement and must be properly recorded and celebrated.

Roads Agency Limpopo (RAL) continues to occupy a distinct value-adding position in the economic life of the Limpopo Province. As the Board of Directors for RAL, we are delighted about the turnaround progress made by RAL executive management in dealing with some of the Supply Chain Management (SCM) challenges that had been identified by the Board as worrying factors.

We had emphatically instructed management to address all SCM related challenges for the year under review. It is an imperative of this Board to ensure that oversight on RAL is effectively carried out and the public purse is spent fruitfully and accounted for in accordance with the applicable prescripts. Once more, well done to RAL Executive Management!

One important and notable improvement in the business of RAL is the continued support we receive from our most valued stakeholders – the communities we serve. It is through the support of the Limpopo communities and more impactfully, the sound political leadership provided by the Honourable MEC for the Limpopo Department of Public Works, Roads and Infrastructure, Namane Dickson Masemola, that today, RAL is seen as a stakeholder centric service delivery agent rather than an engineering and construction entity.

Through MEC Masemola's leadership, we serve the people of Limpopo effectively. We, furthermore, do not only acknowledge where we fall short but work with our communities to fix what needs to be fixed.

Two appointments for the representatives of Limpopo Departments of Public Works, Roads Agency Infrastructure and the Limpopo Provincial Treasury were made by the shareholder representative. It should be commended that, on the same note, all the committees of the Board are now properly constituted.

We currently have the following committees fully operational: Planning and Contracts, Social and Ethics, Human Resources and Remuneration and Audit and Risk Committees. This, in our view, is a clear demonstration of our commitment to the empowerment of women. The Premier of Limpopo, Honourable Chupu Stanley Mathabatha in amplifying the call by his Excellency, President Cyril Ramaphosa, has on many occasions called on us to ensure that women and youth empowerment becomes a reality. Our efforts could not have been realised without the supportive leadership of MEC Masemola.

Since MEC Masemola's arrival as a shareholder representative and a political leader responsible for RAL, we have seen huge improvements in terms of the projects that had deadlocked and stalled because of, among others, community protests. Many of such projects have now been unlocked and are progressing well.

Since its inception in the year 1999 and beginning its operations in the year 2000, RAL has undoubtedly made stupendous improvements to the road infrastructure network of the Limpopo Province considering its allocated annual budget. With funding continuing to be constrained, it is also of importance to acknowledge that much still needs to be done to reduce over 20 000km of the road infrastructure backlog.

As part of a turnaround strategy for RAL, the Board has taken a firm decision to make good governance part of the Agency's operational culture so that we assist management in entrenching adherence to all laws governing the entity specifically, as well as those of the country in general. We are glad that the decision we took is yielding positive results as envisioned.

Our wish is not only to make RAL effective but also efficient with sound financial management and stringent supply chain management processes. We are also doing our best to address all historical irregular expenditure.

We are delighted that our collective efforts with management are paying dividends and will have a lasting effect in the history of the Agency. As the Chairperson of the Board, I want to sincerely express my gratitude to the continued leadership and direction offered by our MEC and his department and, the Limpopo Provincial Treasury.

Given the road infrastructure challenges in the Limpopo Province, it is important that we work with all the stakeholders under the leadership of the Honourable MEC, to address them. We cannot afford to falter on our commitment and mandate to deliver the road infrastructure services to the people of Limpopo.

Once again, well done to RAL's Management and the hard-working staff for achieving an unqualified audit opinion.

MATOME RALEBIPI
Chairperson: RAL Board Of Directors

6. Overview by the Chief Executive Officer

MR GABRIEL MALULEKE
Chief Executive Officer

As a public entity wholly-owned, controlled and funded by the Limpopo Provincial Government through the Limpopo Department of Public Works, Roads and Infrastructure (DPWRI), and in line with the King IV Report and other applicable National Treasury Guidelines, Roads Agency Limpopo (RAL) has a statutory responsibility to share its annual performance report with its shareholder and other key stakeholders. Principle 5 of the King IV Report obligates RAL to ensure that all reports issued by the Agency enable its stakeholders to make informed assessments of RAL's performance, and its short, medium and long term prospects.

RAL's mandate is clearly set out in Section 25 of the Limpopo Roads Agency Proprietary Limited and Provincial Roads Act 7 of 1998 as amended. Section 25(1) of this Act places the responsibility for the planning, designing, construction, operation, management, control, maintenance and rehabilitation of all provincial roads on the shoulders of RAL. RAL's primary role remains to facilitate economic activity and the mobility of the people of Limpopo Province by providing an accessible, safe and reliable provincial road network. This responsibility is well captured in RAL's vision. The vision of RAL is to contribute to the socio-economic development by connecting the people of Limpopo Province. In pursuit of this vision, our conduct, actions, choices and decisions continue to be guided by our core values which are deliberately aligned to the Batho-Pele principles.

During the 2020/21 financial year, our strategic focus was aligned to the National Development Plan (NDP), and the Medium Term Strategic Framework (MTSF) priorities. The NDP's vision is that, by 2030, South Africa should enjoy a strong network of economic infrastructure that supports the country's economic and social objectives. RAL contributes to the NDP's 2030 vision by creating job opportunities to local communities in areas where its road projects are implemented. As an Agency of the Provincial Government responsible for constructing and maintaining provincial roads, RAL's value creation process was benchmarked by the following three MTSF priorities:

- **Priority 1** Economic Transformation and Job Creation,
- **Priority 2** Education, Skills and Health and
- **Priority 6** Capable, ethical and developmental state.

In pursuance of these MTSF priorities, RAL prioritised road construction and maintenance projects that had a positive impact on local economic growth, job creation, Small, Medium and Micro Enterprises (SMME) empowerment and skill development.

Service Delivery Landscape

During the 2020/21 financial year, RAL operated under one of the most difficult operating landscapes in history. The outbreak of the Covid-19 pandemic put serious pressure on the national fiscus. This resulted in a relatively low investment in new road upgrades. The demand for roads however continued to increase in various communities of our province. The combination of climate change and years of underinvestment in maintenance resulted in damage and accelerated aging of our roads infrastructure. To address these challenges, our aim going forward, is to invest in low cost road construction technologies and work methods. This we aim to achieve by working together with our partners in the higher education and training sectors as well as research institutions to develop construction technologies that will deliver resilient roads that are resistant to these climate change risks.

The high demand for roads in the province should be understood within the context of a study conducted by the World Bank in 2018, titled Infrastructural Development in Sub-

Saharan Africa. According to the study, approximately 75 per cent of freight in South Africa is transported by road, making road the most popular mode of transport in South Africa. The most daunting and challenging task that faced RAL throughout the financial year was to deliver a properly planned and well-maintained road system in an environment characterised by high-levels of demand, limited funding as a result of pressure on the national fiscus and, increasingly deteriorating economic climate.

During the 2020/21 financial year, the apex of RAL's priorities included among others:

1. the need to pro-actively integrate legitimate community concerns into RAL's road demand planning mechanism,

2. the resumption of rehabilitation of the deteriorating road infrastructure,

3. the need to consolidate gains made in the strategic partnerships front,

4. the need to improve our audit outcomes,

5. the need to enhance the economic participation parity of Historically Disadvantaged Individuals (HDIs) and

6. the need to rally our stakeholder behind a shared road development vision. Our primary role as the executive management remained to carefully deploy RAL's resources (physical, financial, skills, material) towards the construction and maintenance of provincial roads that create, capture and deliver optimal economic and public value. Given the provincial government's limited finances, private funding through strategic partnerships remained an integral component of RAL's business strategy. Our view is that for our provincial roads to deliver the best possible return and bring lasting development, it is critical that the private sector play a meaningful and prominent role in funding road projects that have a positive impact on their business operations.

The challenges highlighted above required that RAL develop a stakeholder-centred road development prioritisation plan.

Road Infrastructure

During the 2020/21 financial year, RAL continued to play its part in building new roads and maintaining existing road infrastructure investments in line with its core mandate. This was achieved through strategic partnerships with the private sector and the stepping up of engagements with local communities. To this end, the Agency upgraded 85 kilometres of road from gravel to tar, and in the process it created 2 163 jobs. Our road asset base continued to grow albeit at a relatively slower pace than anticipated. The slow growth is attributed to the marked decrease in successive road upgrade budgets. RAL is now managing a total road asset base of 20 091 km. Of this, 60 per cent or (13 916 km) consists of gravel whilst 31 per cent or (6 175 km) is tarred. RAL's future challenge remains to intensify the upgrade of gravel roads into tarred roads, low-cost alternative road construction technologies and work methods.

Currently, the Agency pays between R8 million and R12 million for every single kilometre upgraded. RAL's work in community development has gained momentum over time with many initiatives being launched. Many of these are highlighted in this report. These include the enhancement of skills of labourers employed by our contractors and small business empowerment. As part of RAL's efforts to stimulate local economic activity, the Agency spent a total R109 million on local Small, Medium and Micro Enterprises (SMMEs). During the same period, a total of 219 local labourers benefited from RAL's various skill development programmes. The programmes were implemented in conjunction with the Construction Education and Training Authority (CETA) and other Sector Education and Training Authorities.

Talent Management and Retention

RAL's business philosophy is built on the notion that its employees represent its most valuable assets. Subsequently, the strengths of RAL lie on the combined skills, experiences, commitments and hard work of its employees. We continuously rely on our hard working and principled employees to create, capture and deliver value to our stakeholders. To this end, RAL fully appreciates the need to continuously attract, develop and retain its key talent, especially in the face of an increasingly fluid labour market. RAL continues to encourage its employees to pursue work-aligned career advancement skill programmes in order to keep them updated on evolving knowledge and skill trends and practices.

Audit Outcome

The Board and Management fully appreciate the centrality of an effective governance and management system to RAL's overall success. Whilst during the past four financial years, management worked tirelessly to stabilise RAL's financial management environment, the past financial year, saw organisational energies being directed towards strengthening the Agency's control environment. Management is satisfied that a lot has been done to improve financial management prudence.

The Agency obtained yet another unqualified audit opinion from the Auditor General of South Africa, albeit with a significantly reduced number of audit findings compared to the prior year. Of note is the improvement in the audit outcome of our performance information. Whilst RAL welcomes this important milestone, it is also important to note that the unqualified audit outcome fell short of management's expectations. Initially, management had targeted a clean audit but there are areas that still require improvement. Our primary focus in the 2021/22 financial year is to strengthen human resource capacity in areas that are currently undercapacitated. This will also include working tirelessly to improve the validity and coherence of our performance information as directed by the AGSA's Report.

Innovation

Management also noted the need to continue to improve the cost of upgrading gravel roads into tarred surface. Management remains committed to explore innovative ways in which the cost of upgrading roads can be reduced. The partnerships with institutions of higher learning and research institutions will continue to explore innovative ways of reducing costs of upgrades.

Strategic Partnerships

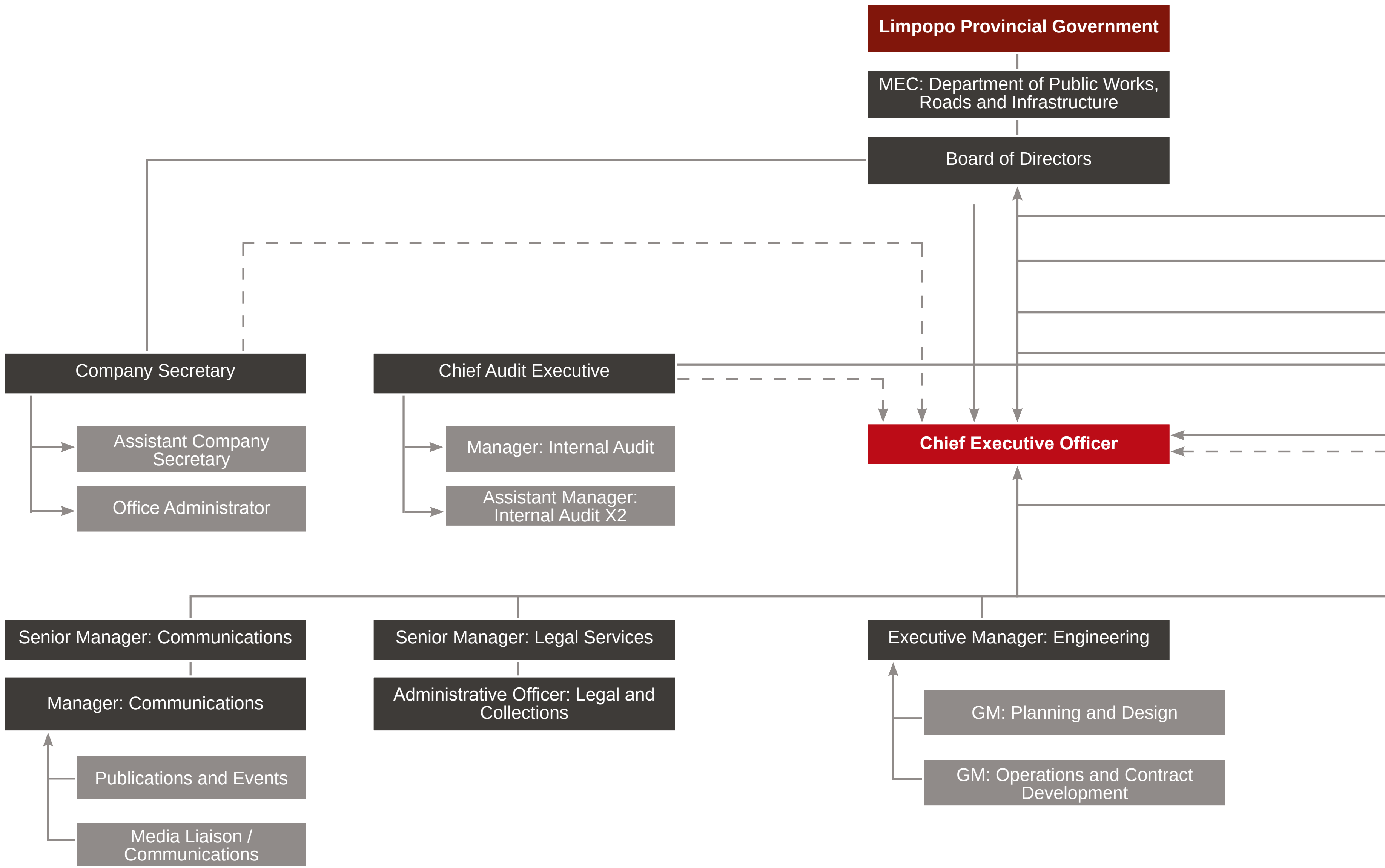
During the financial year, RAL continued to enjoy the trust and goodwill of its strategic partners. Strategic partnerships are key to efforts by the Agency to improve its financial and operating leverage. The idea of strategic partnerships was mooted after realising that by its nature, road construction and maintenance is a capital intensive enterprise. Given the current funding scenario that is characterised by persistent budgetary constraints, the strategic partnership route presented a perfect opportunity for the Agency to augment its increasingly constrained budget. During the financial year, management intensified efforts to strengthen existing strategic partnerships as well as to mobilise new strategic partners into the RAL family. We are grateful to our partners in the mining and agricultural sector who continued to provide the much needed financial support to RAL.

Lastly, on behalf of the executive management of RAL, I want to take this opportunity to thank our shareholder representative, Hon Dickson Masemola whose unparalleled leadership and policy oversight experience continue to be cherished by the RAL family. My gratitude also goes to the Chairperson and members of the board and its committees for the time and attention they devote to the agency. In periods of turbulence like ours, collective wisdom plays an unusually important role. Finally, to our managers and staff members who are ultimately custodians of the agency's reputation and track record of performance: thank you for yet another year of service with integrity.

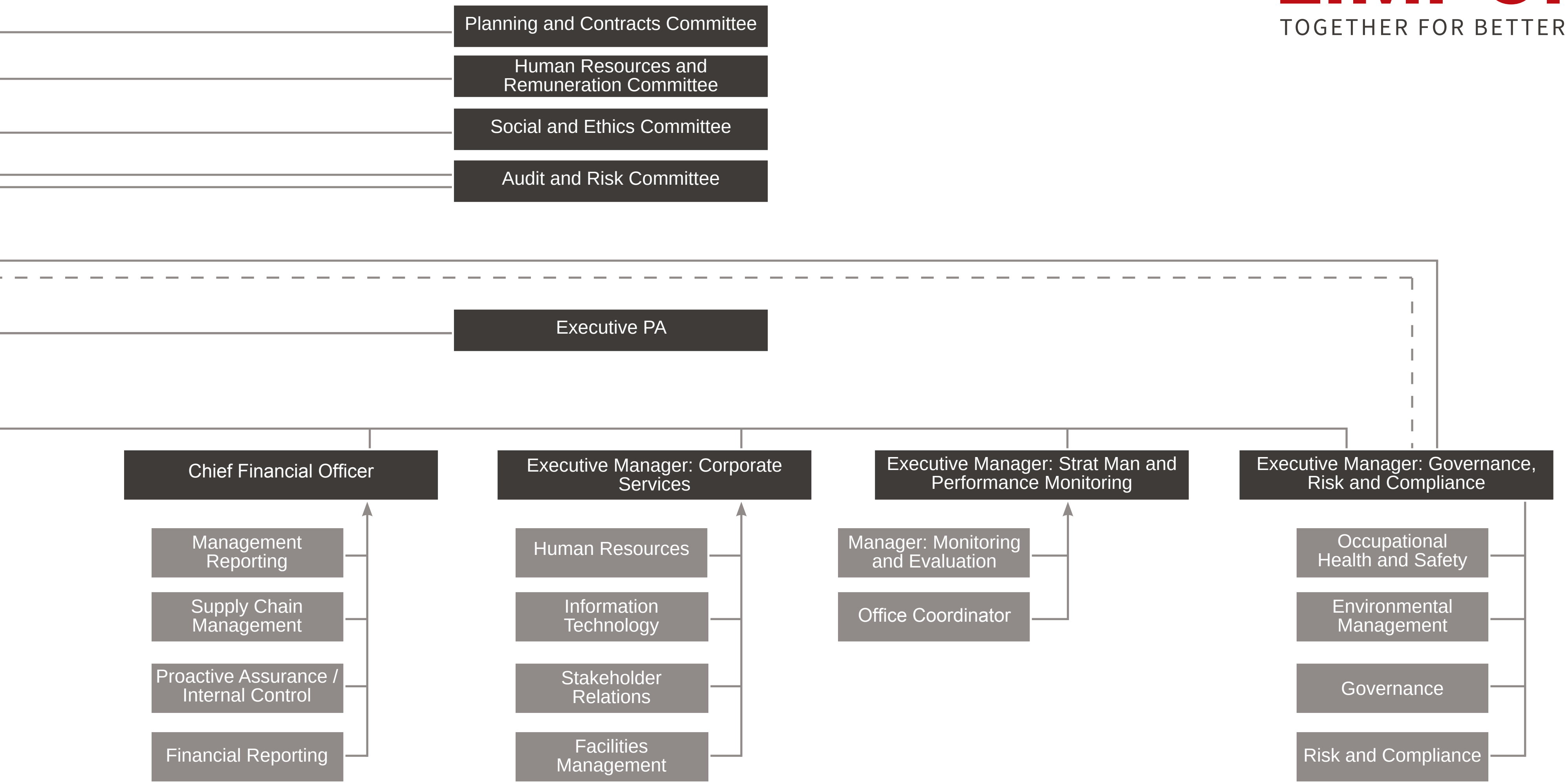
GABRIEL MALULEKE
Chief Executive Officer


Strategic
Assessment
(internal and external)

7. Approved Organisational Structure



ROADS AGENCY
LIMPOPO
TOGETHER FOR BETTER ROADS



8. RAL Shareholder and Board of Directors

Hon. Namane D Masemola
MEC: Department of Public Works, Roads and Infrastructure

The Shareholder, Honourable Dickson Masemola, MEC for Department of Public Works, Roads and Infrastructure, appoints the Board of Directors who carries the oversight responsibilities for functioning of Roads Agency Limpopo.

The Honourable MEC Masemola has a full control of RAL, in his capacity as the Member of the Executive Council responsible for Public Works, Roads and Infrastructure, on behalf of the Limpopo Provincial Government. RAL is a statutory body established under an Act of Parliament, the Limpopo Province Roads Agency Proprietary Limited and Provincial Roads Act 7 of 1998, as amended.

The Agency has been Registered in terms of the Companies Act 71 of 2008. Its registered name is the Roads Agency Limpopo (SOC) Ltd. The Agency has been operational since 1999 and it was established to own and manage the provincial roads network of the Limpopo Province.

Mr. M.S. Ralebipi
Chairperson: RAL Board of Directors

Mr. G.M. Maluleke
Chief Executive Officer

Ms. T. Kekana
Company Secretary

Ms. W.N.G. Moleko
Independent Non-Executive Director

Ms. S.R. Mushwana
Independent Non-Executive Director

Ms. M. Mokoka
Independent Non-Executive Director

Ms. T.M. Ramabulana
Independent Non-Executive Director

Adv. K.B. Morota
Independent Non-Executive Director

Mr. M. Phukuntsi
Board Member

Ms. N.A Moloisi
Ex Officio Director

Pictured at the SOD-turning ceremony for road D11, Ga-Mamaila Kolobetona, is (L-R) Kgoši Solomon Mamaila, Gabriel Maluleke (CEO for RAL), Honourable Namane Dickson Masemola and Dikgole Seroka (HoD for LDPWRI).

PART B

PERFORMANCE INFORMATION

1. Situational Analysis

1.1 Service Delivery Environment

The Road Infrastructure Programme is the central pillar of RAL's business model. This pillar gives practical effect to the RAL Act of 1991. RAL has a duty to provide an accessible, reliable, and safe provincial road network.

The province currently has 20 091 kilometres (km) of roads, of which 6 463,45 km is tarred and 13 627,55 km is gravel. The fact that 67,83 percent of the provincial network is not paved gives credence to the need to accelerate the upgrading of the network. RAL obtains its revenue from the Provincial Road Maintenance Grant (PRMG), as well as equitable share from the Limpopo Provincial Treasury. Despite the constrained annual allocation of funds, RAL is committed to working tirelessly to eradicate the backlog of gravel or dirt provincial roads in Limpopo.

Due to budgetary constraints, the road network in the Limpopo Province has been deteriorating. Insufficient funds for maintenance have led to a disintegration of roads. However, RAL endeavours to execute its mandate within the available financial resources. RAL has successfully completed the construction of new roads and those roads have had a positive impact on the economy of the Limpopo Province in terms of facilitation of business transportation of goods and services.

1.2 Key Policy Developments and Legislative Changes

There have been no significant changes to the institution's legislative and other mandates in the financial year under review.

2.1 Legislative and Regulatory Performance Reporting Framework

The purpose of this report is to apprise the Shareholder and oversight institutions about RAL's performance for the year under review and to report on the performance of the entity, as measured against the pre-determined objectives, as set out in the Strategic Plan (SP) and Annual Performance Plan (APP) for the 2020/21 financial year.

Section 195 of the constitution requires the government and its entities to use their resources efficiently, economically, and effectively, to run a developmental oriented public administration, to run an accountable public administration and provide timely, accessible, and accurate information.

The accounting authority of a public entity is required, in terms of section 55(1) (d) (i) of the Public Finance Management Act 1 of 1999 (PFMA) and article 28.2 of the Treasury Regulations to, *inter alia,* submit an annual report five (5) months after the end of a financial year to the Executive Authority and to the Auditor-General South Africa.

2.2 Progress on Non-Financial Performance Targets

In terms of the set annual targets which are outlined in the APP, there are specific areas in which the entity exceeded its targets and areas where there was under-performance. In the period from 1 April 2020 to 31 March 2021, a total of **25 (twenty-five)** targets were set. Out of **25 (twenty-five)** targets, **14 (fourteen)** targets were achieved, and **11 (eleven)** targets were not achieved.

Maphanama Road D4200 - Sekhukhune District

2.1 Programme 1: Administration

The purpose of the programme is to provide the support required in order to effectively manage and deliver efficient service to the people of Limpopo.

Outcome 1: An adequately supported core business by 2024.						
Sub-Programme: Legislative						
No.	**Output Indicator**	**Annual Target**	**Annual Output**	**Reasons for Variance**	**Planned Interventions**	**Expenditure per Target**
1.1	Number of Company specific compliance checklists assessed, updated, and submitted to the Board of Directors	4	4	**Achieved**	None	None, Operational Task
Sub-Programme: Governance, Risk and Compliance						
1.2	Number of APP Risk assessments conducted	1	1	**Achieved**	None	None, Operational Task
Sub-Programme: Internal Audit						
1.3	Number of Internal Audit Annual Plan approved by Audit and Risk Committee (ARC)	1	1	**Achieved**	None	None, Operational Task
Sub-Programme: Financial Management						
1.4	Clean Audit Report achieved	Clean Audit Report achieved	Unqualified Audit Opinion	**Not achieved:** The cause of the non-achievement is attributed to the following: • Material adjustments to AFS • Non-compliance with legislation regarding procurement process • Misstatements on the performance information.	The entity has developed and implemented an audit improvement strategy that focused on root cause analysis and has closely monitored the implementation of the AGSA action plan.	None, Operational Task

No.	Output Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
1.5	% of AGSA reported weaknesses rectified	100%	79%	**Not achieved:** The AGSA action plan was completed in quarter 3 of the financial year, which delayed the implementation of the action plan.	Close monitoring of the implementation of the AGSA action plan.	None, Operational Task
1.6	% of budget spent on infrastructure	100% of the infrastructure budget spent	62% of the infrastructure budget spent.	**Not achieved:** The appointment of the contractors for maintenance and rehabilitation projects was made in quarter 4. The projects will be completed during the 2021/22 financial year.	For the year 2021/22, plans have been put in place to ensure that procurement of service providers and the implementation of projects are done timeously. This is to ensure that projects are completed by year end and to avoid possibilities of roll-over of funds.	None, Operational Task
Sub-Programme: Supply Chain Management						
1.7	Percentage of eligible suppliers paid within 30 days	100%	97%	**Not achieved:** In quarter 2, some invoices were disputed which resulted in delays in payments of those invoices.	Management has changed the process of submitting invoices by the service providers to reduce the identified deficiencies.	None, Operational Task
Sub-Programme: Office of the CEO						
1.8	Amount secured from private sector partners	R150 000 000	R82 807 403	**Not achieved:** Private sector partners could only commit 55% of the target due to their financial challenges in 2020/21.	Re-engage with private sector partners to contribute to road infrastructure.	None, Operational Task

No.	Output Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
Sub-Programme: Human Resources						
1.9	Number of employees trained	140	0	**Not achieved:** Covid-19 regulations restricted the movement of people between work and training venues. RAL took a decision to restrict employees from travelling to manage the risk of exposure to the pandemic. In line with the LPT guidelines, RAL had to implement budget cuts to contribute towards the funding of the pandemic. Training was one of the affected budget expenditures.	The budget for the training has been set aside in the 2021/22 financial year. Additionally, management has considered other training methods that do not require physical contact or travelling (webinars and other forms of e-training). This is to reduce exposure to Covid-19 among employees while ensuring that the development of staff continues.	None, Operational Task

2.2 Programme 2: Roads Infrastructure

The purpose of the programme is to promote accessibility and the safe affordable movement of people, goods and services through the delivery and maintenance of Roads infrastructure that is sustainable, integrated and environmentally sensitive, and supports economic growth of the Province.

Outcome 2: Improved roads infrastructure by 2024.						
Sub-Programmme: Planning and Design						
No.	**Output Indicator**	**Annual Target**	**Annual Output**	**Reasons For Variance**	**Planned Interventions**	**Expenditure Per Target**
2.1	Approved Table B5 project list for MTEF published	1 Approved Table B5 published	1 Approved Table B5 published	**Achieved**	None	None, Operational Task
2.2	Roads Infrastructure Network condition assessment report updated from RAMS	1 Report updated	1 Report updated	**Achieved**	None	None, Operational Task
2.3	Road Asset Management Plan (RAMP) report approved	1 Report approved	1 Report approved	**Achieved**	None	None, Operational Task
Sub-Programmme: Construction and Operations						
2.4	Number of square metres (m^2) of surfaced roads rehabilitated	185 000 m^2	29 380 m^2	**Not achieved:** The initial annual target was based on maintenance and rehabilitation work planned for the 3rd and 4th quarters of the financial year. However, the appointment of contractors for maintenance and rehabilitation projects was made in quarter 4. The projects will be completed during 2021/22 financial year.	For the year 2021/22, plans have been put in place to ensure that procurement of service providers and the implementation of projects are done timeously. This is to ensure that projects are completed by year end and to avoid possibilities of roll-over of funds.	None, Operational Task

2.5	Number of kilometres of gravel roads upgraded	85,00 km	85,83 km	**Achieved**	None	None, Operational Task
No.	**Output Indicator**	**Annual Target**	**Annual Output**	**Reasons for Variance**	**Planned Interventions**	**Expenditure per Target**
2.6	Number of bridges completed	2	3	**Over-achieved:** The bridge at Project T857 was planned to be completed in the next financial year but was completed earlier hence over achievement.	None	None, Operational Task
Sub-Programmme: Stakeholders Management						
2.7	Number of reports on stakeholders' engagements conducted	4	4	**Achieved**	None	None, Operational Task
Outcome 3: Economically Empowered Host Communities by 2024.						
Sub-Programmme: Job Creation, Empowerment, and Training						
3.1	Number of Full-Time Equivalent (FTE) jobs created	612	258	**Not achieved:** The initial target included maintenance and rehabilitation work planned for the 3rd and 4th quarters of the financial year. However, the appointment of contractors for maintenance and rehabilitation projects was made in quarter 4. The projects will be completed during the 2021/22 financial year.	For the year 2021/22, plans have been put in place to ensure that procurement of service providers and the implementation of projects are done timeously. This is to ensure that projects are completed by year end and to avoid possibilities of roll-over of funds.	None, Operational Task
3.2	Amount (Rands) spent on employing labour	R32 366 000	R23 091 194			
3.3	Amount paid to SMMEs Contractors and Sub-Contractors	R133 000 000	R109 319 235			

No.	Output Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
3.4	Number of jobs created	1 266	2 163	**Over-achieved:** These are task-based activities. Contractors engaged more labourers than planned.	None	None, Operational Task
3.5	Number of youths (18-35) employed	776	983			
3.6	Number of women employed	776	903			
3.7	Number of people with disabilities employed	26	32	**Over-achieved:** RAL encouraged contractors to appoint people with disabilities and as such, more people were engaged. In addition, people with disabilities were encouraged to provide medical certificates and were guaranteed that they will not be discriminated against.	None	None, Operational Task
3.8	Number of SMMEs contracted	462	476	**Over-achieved**: In quarter 3 of the year under review**,** RAL Contractors engaged more SMMEs in their activities.		None, Operational Task

No.	Output Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
Outcome 4: Skilled and Enterprising Local Labour by 2024.						
Sub-Programme: Job Creation, Empowerment, and Training						
4.1	Number of local workers trained	556	219	**Not achieved:** The initial target included maintenance and rehabilitation work planned for the 3rd and 4th quarters of the financial year. However, the appointment of contractors for maintenance and rehabilitation projects was made in quarter 4. The projects will be completed during the 2021/22 financial year. There were 7 additional trainees that were not included in this Annual Performance Report because they were not employed to work on the project. These trainees were community members who were invited for training by the Project Steering Committee as part of community development.	For the year 2021/22, plans have been put in place to ensure that procurement of service providers and the implementation of projects are done timeously. This is to ensure that projects are completed by year end and to avoid possibilities of roll-over of funds.	None, Operational Task

Annual Performance Report Information: 01 April 2020 to 31 March 2021

Official Sign Off

It is hereby certified that this Consolidated Performance Information:

- Was developed by the management of Roads Agency Limpopo under the guidance of the Chief Executive Officer,
- Was prepared in line with approved Quarterly Performance Reports for the Financial Year 2020/21,
- Was verified by the Chief Executive Officer and found reliable, accurate, complete, and valid.

GABRIEL MALULEKE
Chief Executive Officer

MATOME RALEBIPI
RAL Board Chairperson

Bridge 6237/2020 on Road D3724 at Dzindi River, Mapate Bridge - Vhembe District

PART C

GOVERNANCE, RISK AND COMPLIANCE MANAGEMENT

The Board of Directors, with the assistance of the Company Secretary, is responsible for setting the right ethical tone conducive to Corporate Governance.

1. Portfolio Committee

Roads Agency Limpopo is, from time to time, expected to account to the Portfolio Committee on Public Works, Roads and Infrastructure regarding the delivery of its mandate as stipulated in RAL's founding Act.

2. Shareholders Engagement

The Member of Executive Council responsible for the Limpopo Provincial Department of Public Works, Roads and Infrastructure is the sole shareholder of the entity, on behalf of the Limpopo Provincial Government. On an annual basis, a Shareholders' Compact is concluded between the shareholder and the entity in terms of which key deliverables are outlined, in conformity with RAL's Constitutive Act, Annual Performance Plan and Strategic Plan.

The shareholder holds the Board of Directors accountable for the implementation of the predetermined strategic objectives set out in the Annual Performance Plan. In this regard, RAL submits Performance Reports both on a quarterly and annual basis. The quarterly performance reporting, as well as annual reporting requirements, were complied with during the period under review.

3. The Accounting Authority / Board

The Role of the Board

Board Members shall act jointly as a collective when discharging their duties and no Board Member shall have any authority to severally perform any act on behalf of RAL unless specifically authorized or requested by the Board or authorised nominees of the Board. Board members shall be jointly accountable for the decisions of the Board. Board members have a fiduciary duty to act in the best interests of RAL, to act with utmost care and due diligence in discharging their duties and to avoid conflict of interest and declare any such conflict when it arises, and to account for any advantages gained in discharging their duties on behalf of RAL. Board Members shall act with integrity and shall not misuse their positions to derive personal benefits in the scope of their directorship.

The Board will base its decisions on policy, strategy, facts, analysis and not on prejudice.

Composition of the Board

Names	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams	No. of Meetings Attended
Mr. M.S. Ralebipi	Chairperson of the Board	02/02/2018 02/02/2021	N/A	1. BCom Accounting 2. Higher Diploma in Computer Accounting 3. CRISC 4. Certificate in Strategic Leadership	• Finance and Auditing	Roads Agency Limpopo	Nominations Committee	7 Board 1 Urgent Board 1 Nominations Committee 1 AGM
Ms. W.N.G. Moleko	Independent Director	02/02/2018 02/02/2021	N/A	1. BA Education 2. BA (Hons) 3. MA 4. M Ed 5. Postgrad Diploma in Telecommunications and Information Policy 6. Monitoring and Evaluation Course 7. Technology in Distance Education and E-learning Course	• Human Resources • Education	Roads Agency Limpopo	1. HR and Remunerations Committee 2. Nominations Committee 3. Contracts and Planning Committee	7 Board 4 REMCO Meeting 1 Urgent Board 6 Contracts and Planning Committee 1 Nominations Committee 1 AGM

Ms T. M. Ramabulana	Independent Director	02/02/2018 02/02/2021	N/A	1. B.A. (Social Science) 2. Cert. Marketing 3. Dip. Personnel and Training 4. Dip. Labour Law 5. MDPt Man	• Social Science • Human Resources	Roads Agency Limpopo	1. Nominations Committee 2. Human Resources and Remuneration Committee 3. Planning and Contracts Committee	7 Board 1 Urgent Board 4 REMCO 6 Contracts and Planning 1 AGM
Mr. M.J. Phukuntsi	Board Member i.t.o Section 12 (3) Representing Provincial Treasury	01/06/2020 02/02/2021	N/A	1. B. Commerce 2. Masters in Public Administration 3. Higher Certificate in Theology	• Accounting	Roads Agency Limpopo	1. Social and Ethics Committee 2. HR and Remuneration Committee	4 Board 1 AGM
Mr. M.P.K. Tshivhase	Independent Director	02/02/2018	01/02/2021	1. B. Iuris	• Law	Roads Agency Limpopo	1. HR and Remunerations Committee 2. Social and Ethics Committee	4 Board 2 REMCO 1 Urgent Board 1 AGM
Mr. S.W. Sathekge	Board Member i.t.o Section 12 (3)	11/02/2020	31/05/2020	1. BTech Civil: Urban Eng 2. H Cert. Project Management	• Civil Engineering	Roads Agency Limpopo		1 Board 1 Urgent Board

Mr. L.P. Makape	Board Member i.t.o Section 12(3)	01/06/2020	01/02/2021	1. BSc. Mechanical Engineering 2. Post Grad Diploma Advanced Supply Chain Management	• Engineering	Roads Agency Limpopo		6 Board 1 AGM
Ms. N.A. Moloisi	Board Member i.t.o Section 12(3)	02/02/2021	N/A	1. Bachelor in Public Administration (Hons) 2. Bachelor in Public Administration 3. Diploma in Education 4. Advanced Certificate in Education	• Education • Public Administration	Roads Agency Limpopo	Social and Ethics	Attended no meetings in the 2020/2021 FY
Adv. K.B. Morota	Independent Director	02/02/2021	N/A	1. Bachelor of Laws	• Law	Roads Agency Limpopo	Planning and Contracts Committee	1 Planning and Contracts Committee
Ms. S.R. Mushwana	Independent Director	02/02/2021	N/A	1. Bachelor of Laws	• Law	Roads Agency Limpopo	Social and Ethics Committee	Attended no meetings in the 2020/2021 FY

Mr. G.M. Maluleke	CEO	01/01/2020	N/A	1. BCompt 2. BCompt (Hons) 3. Certificate in Mining Taxation 4. Certificate in Theory Accountancy 5. Diploma in Insolvency Law and Practice	• Chartered Accountant specialising in Financial Management	Roads Agency Limpopo	N/A	7 Board 1 Urgent Board Meeting 4 REMCO 8 Audit and Risk Committee 5 Planning and Contracts 1 AGM
Ms. M.G. Mokoka	Audit and Risk Committee Chairperson Board Member	02/02/2021 02/02/2021	N/A	1. BCom (Accounting) 2. BCom (Hon) 3. Postgrad Diploma in Management (Financial) 4. Postgrad Diploma (Auditing)	• Chartered Accountant specialising in Financial Management	Roads Agency Limpopo	Audit and Risk	11 Audit and Risk Committee 1 BOARD 1 Urgent Board 1 AGM
Mr. Z. Samsam	Audit and Risk Committee Member	20/11/2015 02/02/2021	N/A	1. BCom 2. Postgrad Diploma in Accountancy 3. Advanced Certificate in Auditing	• Chartered Accountant specialising in Financial Management	Roads Agency Limpopo	Audit and Risk	11 Audit and Risk Committee 1 Board 1 AGM

Mr. T. Boltman	Audit and Risk Member	01/01/2020	01/02/2021	1. BTech Internal Auditing 2. National Diploma Internal Auditing 3. Postgrad Diploma Certified Internal Auditing	• Certified Government Auditing Professional • Certified Internal Auditor	Roads Agency Limpopo	Audit and Risk	10 Audit and Risk Committee 1 AGM
Dr. N.C. Skeepers	Audit and Risk Committee Member	02/02/2021	N/A	1. PhD Engineering Management 2. MPhil in HIV/AIDS Management 3. Masters in Health, Safety and Environment 4. Post Grad Diploma in HIV/AIDS Management 5. B.Tech Environmental Health	• Occupational Health and Safety	Roads Agency Limpopo	Audit and Risk	1 Audit and Risk Committee
Ms. N.B. Mutheiwana	Audit and Risk Committee Member	02/02/2021	N/A	1. Master of Business Administration 2. BCom	• Accounting	Roads Agency Limpopo	Audit and Risk	1 Audit and Risk Committee

Remuneration of the Board

Names	Remuneration	Other Allowances	Other Re-imbursements	Total
Mr. M.S. Ralebipi	R140 000	-	-	R140 000
Ms. W.N.G. Moleko	R111 000	-	-	R111 000
Ms. T.M. Ramabulana	R106 000	-	-	R106 000
Mr. M.P.K. Tshivhase	R63 000	-	-	R63 000
Adv. K.B. Morota	R17 000	-	-	R17 000
Ms. S.R. Mushwana	R15 000	-	-	R15 000
Ms. M.G. Mokoka	R160 000	-	-	R160 000
Mr. Z. Samsam	R112 000	-	-	R112 000
Mr. T. Boltman	R65 000	-	-	R65 000
Dr. N.C. Skeepers	R17 000	-	-	R17 000
Ms. N.B. Mutheiwana	R17 000	-	-	R17 000

Committee of the Board

Committee	No. of Meetings Held	No. of Members	Name of Members
Audit and Risk Committee	11	4	Ms. M. Mokoka, Mr. Z. Samsam, Mr. T. Boltman, Dr. N.C. Skeepers, Ms. N.B. Mutheiwana
Human Resources and Remuneration Committee	4	3	Ms. W.N.G. Moleko, Mr. M.P.K. Tshivhase, Ms. M.T. Ramabulana, Mr. M.J. Phukuntsi
Contracts and Planning Committee	6	3	Ms. M.T. Ramabulana, Ms. W.N.G. Moleko, Adv. K.B. Morota
Nominations Committee	1	3	Mr. M.S. Ralebipi, Ms. W.N.G. Moleko, Ms. T. M. Ramabulana
Finance Committee	0	2	Mr. G. Maluleke, (Mr. M. Mkhacane), Ms. M. Mokoka
Social and Ethics	3	3	Mr. K. Tshivhase, Mr. M.J. Phukuntsi, Ms. S.R. Mushwana, Ms. N.A. Moloisi

* Dr N.C. Skeepers was appointed as a member of the Audit and Risk Committee on 2nd February 2021.

* Ms. N.B. Mutheiwana was appointed as a member of the Audit and Risk Committee on 2nd February 2021.

* Ms. S. R Mushwana was appointed as a member of the Social and Ethics Committee on 24th February 2021.

* Mr. M.J. Phukuntsi appointed as a member of Human Resources and Remuneration Committee and the Social and Ethics Committee on 24th February 2021.

* Ms. N.A. Moloisi was appointed as a member of the Social and Ethics Committee on 24th February 2021.

* Adv. K.B. Morota was appointed as a member of the Planning and Contracts Committee on 24th February 2021.

* Mr. T. Boltman ceased to be a member of the Audit and Risk Committee on 1st February 2021.

* Mr. M.P.K. Tshivhase ceased to be a member of the Human Resources and Remuneration Committee and the Social and Ethics Committee on 1st February 2021.

* Mr. S.W. Sathekge ceased to be a Board Member on 31st May 2020.

* Mr. L.P. Makape ceased to be a Board Member on 1st February 2021.

1. Risk Management

A. Risk Management

Since the emergence of COVID-19, the Agency was forced to be agile in responding to challenges and opportunities brought by the pandemic itself. The pandemic has brought both threats and opportunities impacting on the Agency's operating model at both strategic and business processes levels. The impact of COVID-19 was felt both internally and externally at the construction sites, especially during the Adjusted-Level 5.

Over and above the top 10 strategic risks and opportunities underpinning achievement of the set strategic outcomes, the Governance, Risk and Compliance Business Unit introduced the COVID-19 business risk register for the purposes of identifying, analysing, evaluating, and reporting on the identified risks impacting on the day-to-day operations. The existing Agency's Governing Structures such as EXCO, GRC Committee, as well as Health and Safety Committee, were supportive and proactive in response to challenges brought by COVID-19.

An appointment of Deloitte and Touché to drive the process of establishing and maintaining a business continuity management (BCM) programme was one of the key highlights during the 2020 – 2021 financial year. The BCM Programme is aimed at achieving resilience and sustainability at the Agency in response to the risks of cyber-attacks, natural disasters, industrial actions, pandemics, etc. All key employees and members of the BCM and Crisis teams were adequately trained on their roles and responsibilities in line with best practice. The ICT Business Unit played a fundamental role in aiding the Agency to transition and adjust to the changes which were brought by new normal.

The Agency became a Corporate Member of the Institute of Risk Management South Africa (IRMSA) for the purposes of aligning organisational risk management processes to best practice. A total of 51 members of staff comprising of EXCO, senior management, middle managers, and lower-level managers were trained on the basic principles of risk management, as part of the benefits of the membership.

Audit and Risk Solutions Consulting was appointed to perform a risk maturity assessment to identify and assess existing risk management structures, processes, and systems' gaps in relation to best practices (e.g., ISO 31000: 2018, COSO enterprise risk management integrating with strategy and performance, etc). A subsequent risk management maturity matrix monitoring tool was developed to document and track implementation of all identified areas requiring improvement.

All these initiatives were geared towards repositioning risk management in forming an integral component of the Five (05) Strategic Plan. Further, to ensure the Agency achieves the risk intelligence status from risk management maturity levels, in terms of best practice principles.

Lastly, the Agency's project risk management continues to be on an upward trajectory. This positive change can be attributed to the increase in the number of the generated project risks and issues registers together with lessons learnt reports. The Governance, Risk and Compliance Business Unit had embarked on the enterprise-wide education campaign to educate all the project role players on purpose, functions, and benefits of project risk management in quest of delivering quality and reliable roads across the province.

B. Anti-Fraud and Corruption

The Agency's Board of Directors approved the Whistle Blowing and Fraud Prevention Policies for the purposes of combating the risks of fraud and corruption. As a result, the fraud risk register was developed. It continues to be monitored at EXCO and Audit and Risk Committee in managing relevant risks in the organisation. Staff members are unceasingly encouraged to report any suspected allegations of fraud and corruption through the Public Sector Ethics Hotline (0800 701 701).

A successful annual on-line fraud and corruption awareness campaign was held in quarter 4, in conjunction with the Offices of the Public Protector and the Public Service Commission. The awareness was aimed at sensitising the RAL staff about ethical culture, as well as on proposed measures of curbing effects of fraud and corruption at all tiers of the organisation.

C. Occupational, Health and Safety

The Agency's Occupational, Health and Safety Committee played a fundamental role in maintaining a safe working environment for staff members and visitors during the height of COVID-19 pandemic. The committee provided technical support, advice, and guidance to EXCO to maintain a safe working environment in the minimisation of spread of the virus during working hours.

A total number of staff members who tested positive to the COVID-19 virus at the Agency is sitting at 24, with 100% recoveries, whilst 1 fatality was encountered to date.

The staff members together with security personnel were provided with necessary Personal Protective Equipment to minimize exposure to hazards in the workplace. The COVID-19 Baseline Risk Register was developed, monitored, and reported to EXCO, Social and Ethics Committee as well as Audit and Risk Committee for oversight purposes.

In addition to the above, the COVID-19 processes and procedures were subjected to a rigorous audit review by the Agency's Internal Auditors Business Unit with few key findings raised. The Committee is working tirelessly in ensuring a speedy resolution of the reported findings.

2. Proactive Assurance and Internal Control Unit

Housed in the Finance unit of RAL, is the Proactive Assurance and Internal Control division which provides assurance as well as ensures that the Auditor-General Audit Action Plan is adhered to and that findings are resolved. Also performed in the division, is the function of ensuring that in procuring goods and services, the procurement checklist is complied with.

In order to meet its responsibility with respect to providing reliable financial information, Roads Agency Limpopo maintains financial and operational systems of internal control. These controls are designed to provide reasonable and reliable assurance that transactions are concluded in accordance with prescribed regulations, that the assets are adequately safeguarded against material loss of unauthorised acquisition, use, or disposal and those transactions are properly authorised and recorded.

3. Internal Audit Function

Roads Agency Limpopo has co-sourced the internal audit function to Entsika Consulting during the financial year 2020/2021 to capacitate the current RAL Internal Audit resources and to contribute towards the improvement of the control environment of RAL. RAL's internal audit performed the internal audit functions for the year ended 31 March 2021, in accordance with the Internal Audit Plan for 2020/21, which was approved by RAL Audit and Risk Committee. The Internal Audit Plan was developed after having had due consideration to RAL's top strategic and fraud risks identified by management.

Internal Audit performed thirteen (13) of the fourteen (14) planned audits. The one (1) remaining audit at the end of the 2020/21 financial year was carried over to 2021/22 and was finalised in Quarter 1 of the 2021/2022 financial year.

There were fifty-five (55) findings reported during 2020/2021 financial year, forty-one (41) significant findings and fourteen (14) medium impact finding, however, forty-six (46) findings were reported in the financial year 2019/2020. This increase is attributable to the audit of performance information, contract management, project management, planning and design, infrastructure asset management, Supply Chain Management, as well as Human Resource Management, process audits. The significant findings reported in the current year were mainly due to inadequate policies, non-compliance with existing policies, an outdated organisational structure, lack of review of process by senior employees and poor document management process, which continue to pose significant challenges to RAL.

4. Audit and Risk Committee

The Audit and Risk Committee exercised an oversight and monitoring function, as required by its Terms of Reference. The Committee held its quarterly sittings for the purpose of considering all statutory submissions to the shareholder and to the Limpopo Provincial Treasury, and for exercising an oversight and monitoring role. The Committee considered the quarterly performance report, financial statements and management accounts, on a quarterly basis.

5. Compliance with Laws and Regulations

Crucial pieces of legislation that govern and regulate the Agency's operations are, *inter alia*, the Public Finance Management Act 1 of 1999, the Companies Act 71 of 2008 and the Limpopo Province Roads Agency Proprietary Limited and Provincial Roads Act 7 of 1998, as amended. The regulatory framework comprises the King IV Code, Treasury Regulations, and the Protocol on Corporate Governance in the Public Sector. RAL has the responsibility to comply with all applicable laws and regulations. The Audit and Risk Committee received quarterly compliance reports apprising the Committee of the level of compliance of the Agency.

6. Minimising Conflict of Interest

The Board of Directors approved a Conflict of Interest Policy in its sitting held on 11th November 2015, in terms of which all employees of Roads Agency Limpopo are required to complete the declaration of interest forms, in which financial interests have to be disclosed. All declarations made by employees have to be submitted to the Chief Executive Officer for approval.

7. Code of Conduct

RAL operates on a solid policy platform that covers all areas of the Agency. The Board pays particular attention to the effectiveness and relevance of policies, considering all policies before implementation, including ensuring that management complies with relevant laws and regulations.

8. Environmental Issues

The Agency ensures that all the projects that are implemented comply with all the statutory requirements of Environmental Management, Health and Safety regulations. This is done by ensuring that all projects have environmental authorisations and permits from stakeholder departments. In addition, we also ensure that there is compliance monitoring for appointed contractors to meet the Safety, Health and Environmental Management obligations.

The major challenge during execution of projects is the landownership disputes in the borrow pit areas and this is addressed by strictly adhering to the provisions of the law and intensive stakeholder engagement processes with the Social and Institutional Development (S.I.D) unit at RAL. The process of stakeholder engagement ensures that information dissemination on projects is done throughout the project cycle in order to create awareness within communities and amongst project participants.

Environmental compliance is overseen by the Environmental Management Unit of Roads Agency Limpopo SOC Ltd (RAL).

Road construction can directly impact the surrounding land, fauna and flora throughout the lifecycle of the project. Our goal is to minimise and manage those impacts and upon completion of the project, return the land to a rehabilitated state.

RAL's approach is to reduce the potential impacts of our road construction projects on the land; we require all the projects to at a minimum comply with the relevant environmental legislations and regulations.

RAL conducts detailed studies of the environment and communities in which the Agency works and undertakes monitoring to ensure the early identification of potential issues and ensures controls are in place for our contractors to comply with the principles of environmental management.

The Agency supports the principles of sustainable development throughout the lifecycle of the projects. Environmental awareness workshops are conducted for all the contractors and construction workers to ensure principles of environmental management are adhered to, at all times. The nationwide water shortages continue to be a challenge in roads construction as it requires large quantities of water for the road works and dust suppression.

RAL roads are located near or on land that falls under different traditional authorities with diverse cultural backgrounds. The Agency appreciates and respects the importance of their cultural heritage and seeks to avoid or minimise impacts from our construction activities on these places with aspects of historical and cultural significance.

RAL continuously engages with stakeholders' departments on all aspects of environmental compliance for road construction.

9. Company Secretary

Ms T.C. Kekana is the appointed Company Secretary of Roads Agency Limpopo.

10. Social Responsibility

The Agency offers bursaries to disadvantaged students pursuing Civil Engineering and Construction related qualifications and Learnership Programme. Upon completion of their studies, bursary holders are offered an opportunity for experiential training. Where possible, the Agency has been able to absorb some graduates who were part of the learnership programme and who have successfully completed their studies.

11. Audit and Risk Committee Report

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2021. The Committee has adopted appropriate formal terms of reference as outlined in the Audit and Risk Committee Charter. The Committee has discharged its fiduciary duties in conformity with this charter and has executed all its delegated responsibilities as contained therein, namely:

- reviewing the internal control structure, including financial controls and accounting systems, as well as evaluating whether the system of internal control is adequate to manage critical risks;
- reviewing the internal audit function, including its written charter, objectives, goals and staffing plans, as well as evaluating whether the function is performed satisfactorily;
- evaluating whether management demonstrates and stimulates the necessary respect for the internal control structures;
- overseeing and managing the total internal audit function to ensure that:
    - the internal audit performance goals are achieved;
    - risks are identified;
    - specific issues requiring attention are highlighted.

Audit Committee Members:

The Audit Committee consisted of the independent members listed hereunder. The Committee convened eleven (11) meetings during the 2020/21 financial year. The Audit Charter requires that the committee meets at least 2 times per annum.

Name of Member	Number of Meetings Attended
Ms. M.G. Mokoka Independent Chairperson: Audit and Risk Committee	11
Mr. Z. Samsam Independent Audit and Risk Committee Member	11
Mr. T. Boltman Independent Audit and Risk Committee Member	10
Dr. N.C Skeepers Independent Audit and Risk Committee Member	1
Ms. N.B. Mutheiwana Independent Audit and Risk Committee Member	1

Audit and Risk Committee Responsibility

The Audit and Risk Committee reports to have adopted appropriate formal terms of reference in our charter in conformity with the provisions of Principle 8, Recommended Practice 51-59 of the King IV Report on Corporate Governance and section 94 of the Companies Act 71 of 2008.

The Committee exercised oversight over the effectiveness of the internal controls, assurance functions, as well as the integrity of the Annual Financial Statements and Annual Performance Report.

Furthermore, the Committee monitored the governance of financial, operational and strategic risks of RAL.

Audit and Risk Committee ensures that Internal Audit Unit performs its responsibility by:

- Reviewing competence and qualifications of the Internal Audit function, including reviewing and concurring with appointment and dismissal of the Internal Audit service provider;
- Reviewing the plans and budgets of the Internal Audit function. Ensure that the plan addresses the high-risk areas and that adequate resources are available;
- Reviewing audit results and action plans of management;
- Reviewing the effectiveness of the Internal Audit function;
- Ensuring that Internal Audit work is coordinated with External Audit to ensure little or no duplication of work and coverage;
- Receiving and reviewing quarterly progress reports submitted by the Internal Audit function;
- Reviewing the Annual Risk Assessment process and prioritisation of major risks identified.

Evaluation of Annual Financial Statements

We have:

- Reviewed and discussed the Annual Financial Statements to be included in the Annual Report, with the Auditor-General and the Internal Auditors;

- Reviewed the Auditor-General of South Africa's management letter and management's response thereto;

- Reviewed changes in accounting policies and practices;

- Reviewed the International Marketing Council compliance with legal and regulatory provisions;

- Reviewed significant adjustments resulting from the audit.

Auditor General of South Africa

We have met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Ms. M.G. Mokoka CA(SA)
Chairperson of the Audit and Risk Committee
Roads Agency Limpopo

Road D3878 going up the mountain and finishing at the beginning of Balloon village in Ga-Sekororo

PART D

HUMAN RESOURSES REPORT

1. Overview

Besides reaffirming RAL's commitment to continuously build its Human Resource (HR) capacity, the report also outlines various measures taken by management to strengthen the overall Human Resource Management (HRM) climate of the Agency. Throughout the financial year, employees remained the backbone of RAL's operations. RAL's ability to discharge its mandate effectively depended upon the combined skills, experiences, competences, and the total commitment of its workforce.

HR Objectives

The Agency's HRM activities were premised on two main objectives, namely:

• To review the organisational structure,

• To ensure employee development.

Strategic Focus

In pursuit of these objectives, management continued to foster a continuous improvement culture, in which its employees were purposely engaged, continuously trained, and systematically motivated. The primary focus remained to build a capable and results-driven workforce that possesses a better understanding of the latest trends in the ever-changing global road development and management landscape. In this regard, management continuously fostered a culture of high performance, teamwork and collaboration among its employees. Throughout the financial year, management ensured that all critical skills needed to drive RAL's strategy are attracted, strengthened and retained.

Staff Size

At the beginning of the financial year 2020/21, RAL had a total staff complement of 86 employees. Of these, 6 occupied top management positions while 7 held senior management positions. The rest of the staff included inter-alia, 25 qualified professionals, 20 skilled personnel whilst 21 and 7 fell into semi-skilled and unskilled categories, respectively. At the end of the financial year the Agency had 83 employees. During the financial year, the most understood threat to RAL's HR capacity was the high vacancy rate. Management remained concerned that earlier plans to fill vacant posts in critical areas such as Finance, Engineering, Internal Audit and Risk Management (RM) were not implemented due to the moratorium on appointment.

Reward Structure

At RAL, employees are rewarded according to their performance and level of contribution to RAL's strategic objectives. RAL's total reward strategy promotes a flexible, balanced, integrated and cost-effective reward structure, covering fixed pay and recognition benefits, work-life balance, career development and opportunities. During the same period RAL's wage bill amounted to R78,341 million.

Fostering Employee Engagement

RAL's HRM philosophy is built on the values of labour peace, employee engagement, and total workplace democratization. Rules of engagement are driven by a strong desire to engage employees in an atmosphere of sincerity, openness, transparency, and honesty. The belief is that engaged, empowered and involved employees are the hallmark of RAL's long-term success and performance. To this end, management continued to pursue open, honest and transparent communication with its employees. Although in general terms, RAL's overall organisational climate continued to improve, it is important to highlight that the relationship between management and labour unions is improving.

As part of measures to further improve the relationship between management and employees and democratise RAL's workplace, management has since facilitated the establishment of RAL Bargaining Forum. The constitution was discussed and agreed to by both management and employees representatives, culminating in inauguration of the forum. The forum is critical towards promoting an atmosphere of workplace stability and labour peace.

Workplace Diversity

RAL continued to demonstrate its unequivocal commitment to the ideals of workplace diversity and equity. Management views workplace diversity as an asset that instills a strong sense of social justice, equality, and fairness among its employees. Guided by the progressive employment equity policy, RAL's employment equity efforts during the financial year aimed to build a sustainable workforce that reflects the demographics of the economically active population in South Africa. RAL's relentless commitment to upholding the ethos of equality, social justice, racial diversity, and gender parity at the workplace remains a key differentiator and source of pride. In this vein, RAL ensured that its approved Employee Equity Plan was strictly adhered to at all times.

Talent Development

The considered view as management is that a well-funded and properly communicated employee development plan provides a meaningful pathway for RAL employees to advance their careers. The focus of the plan was to equip employees with the necessary skills and capabilities, as well as to provide all levels of management with appropriate tools to assess and manage performance. Part of the efforts to achieve employee development goals remained to encourage employees to take advantage of RAL's employee development plan. Central to these efforts included the strategic review of RAL's Human Resource Annual Plan and measured implementation of the Agency's HR Training Plan. This review aimed to align RAL's HR strategy with its overall business strategy. As the result of this review, each employee's skill needs were identified and subsequently ranked in terms of their significance and relevance to RAL's core business. RAL's training investments plan ensures that employees develop requisite skills needed to perform their duties, advance their careers, and keep abreast of continually changing business operations.

Talent Retention

In today's turbulent labour market system characterised by low barriers of labour mobility, organisations continue to be vulnerable to the risks of high staff turnover. It is within this context that RAL undertook to strengthen its talent retention environment. One of the initiatives adopted by management during the course of the financial year was to provide on a consistent basis a stimulating and rewarding work climate that meets employee expectations in terms of career development and growth, fair employment practices, wellness, and lifestyle support, and appropriate recognition and reward processes.

Employee Wellness Programme

The promotion of healthy lifestyles among RAL's employees was one of the top items on RAL management's 2020/21 business agenda. Management regrets that despite concerted efforts to give impetus to RAL's emerging employee wellness programme (EWP), little progress was made in this regard. Management will, however, pursue the efforts to build a functional EWP in 2021/22 financial year.

2. Human Resources Oversight Statistics

Personnel Cost by Programme/ Activity/ Objective

Programme / Activity/ Objective	Personnel Expenditure (R'000)	Personnel exp. as a % of Total exp. (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
Engineering	24 820	32	28	886
Corporate Services	18 718	24	26	720
Finance	14 656	19	13	1 127
Information Technology	5 250	07	06	875
CEO's Office	14 897	19	13	1 146
Total	**78 341**	**100**	**89**	**911**

Personnel Cost by Salary Band

Level	Personnel Expenditure (R'000)	% of Personnel exp. to Total Personnel Cost (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
Top Management	15 084	19	6	2 514
Senior Management	9 639	12	7	1 377
Professional Qualified	29 387	38	25	1 175
Skilled	15 451	20	20	773
Semi-skilled	7 589	10	21	361
Unskilled	1 191	2	7	170
Total	**78 341**	**100**	**86**	**911**

Performance Bonus

Programme / Activity/ Objective	Performance Rewards	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel cost (R'000)
Top Management	0	15 084	0
Senior Management	0	9 639	0
Professional Qualified	0	29 387	0
Skilled	0	15 451	0
Semi-skilled	0	7 589	0
Unskilled	0	1 191	0
Total	**0**	**78 341**	**0**

Training Costs

Programme / Activity / Objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of Employees Trained	Average Training Costper Employee
Training and Courses	78 341	0	0%	0	0

Programme / Activity / Objective	2019/20 No. of Employees	2020/21 Approved Posts	2020/21 No. of Employees	2020/21 Vacancies	% of Vacancies
Employment and Vacancies	86	138	83	55	40

Programme / Activity/ Objective	2019/20 No. of Employees	2020/21 Approved Posts	2020/21 No. of Employees	2020/21 Vacancies	% of Vacancies
Top Management	6	7	6	1	14
Senior Management	7	29	5	20	68
Professional Qualified	25	31	24	9	29
Skilled	20	37	20	17	45
Semi-skilled	21	27	21	8	29
Unskilled	7	7	7	0	0
Total	**86**	**138**	**83**	**55**	**39**

Salary Band	Employment at Beginning of Period	Appointments	Terminations	2020/21 Vacancies	Employment at End of the Period
Top Management	6	0	0	1	6
Senior Management	7	0	2	20	5
Professional Qualified	25	3	1	9	24
Skilled	20	0	2	17	20
Semi-skilled	21	0	1	8	21
Unskilled	7	0	0	0	7
Total	**86**	**3**	**6**	**55**	**83**

NB. 2 employees from skilled have been appointed as managers hence 2 terminations in skilled and 1 employee from semi-skilled has been appointed as manager hence 1 termination in semi-skilled

Reason	Number	% of Total no. of Staff Leaving
Death	0	0
Resignation	0	0
Dismissal	1	33.33
Retirement	0	0
Ill health	0	0
Expiry of Contract	2	66.67
Other	0	0
Total	**3**	**100**

Employment Changes

Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written Warning	0
Dismissal	1

3. Employment Equity

Equity Targets and Employment Equity Status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	4	4	0	0	1	0	0	0
Senior Management	5	4	0	0	0	0	0	0
Professional Qualified	14	15	0	0	0	0	1	1
Skilled	6	6	0	0	0	0	0	0
Semi-skilled	6	4	0	0	0	0	0	0
Unskilled	2	4	0	0	0	0	0	0
Total	**37**	**37**	**0**	**0**	**1**	**0**	**1**	**1**

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	3	0	0	0	0	0	0
Senior Management	2	1	0	0	0	0	0	0
Professional Qualified	10	10	0	0	0	0	0	0
Skilled	14	14	0	0	0	0	0	1
Semi-skilled	13	12	2	2	0	0	0	0
Unskilled	5	6	0	0	0	0	0	0
Total	**45**	**46**	**2**	**2**	**0**	**0**	**0**	**0**

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional Qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Total	**0**	**0**	**0**	**0**

* The Agency has met its employment equity targets in terms of representation of women in the top and senior management. The other key critical positions are at the evaluation stage by the Human Resources Unit. The target for people with disabilities will be addressed in the 2021/22 employment equity targets.

PART E

STAKEHOLDER ENGAGEMENT AND COMMUNICATIONS

Overview

The financial year 2020/21 has seen Roads Agency Limpopo (RAL) strengthen its marketing, public relations, communications, and stakeholder relations initiatives. This integral part of RAL's business strategy aims to rally the Agency's key stakeholders behind a shared provincial road infrastructure development vision and understanding.

As one of the dominant constituencies, RAL stakeholders are recognised as a powerful game changer given the Agency's business. The marketing, communications, public relations, and stakeholder engagement functions have a primary task of providing the vital link or interface between RAL and its key constituencies.

During the year under review, RAL had to take a dipstick look at its stakeholder relations, public relations, and communications initiatives through a detailed review process. This process looked at the existing gaps, challenges and identified potential solutions that can help improve and synergise all the focal areas that can enhance the positive perception about RAL. The review resulted in the approved Stakeholder Management and Communications Strategies.

The focus of these strategies is to outline measures that RAL will implement in the next five (5) years to promote its vision, business strategy, programmes and successes to its target constituencies. The primary aim is to share RAL's good story with the rest of the Limpopo Province using the language and media mix that is familiar to our various target audiences.

The challenge with the order that existed regarding the marketing, communications, public relations, and stakeholder relations value chain was the lack of alignment, synergy and coordination amongst the areas and how best they can positively influence the work of RAL and add more value to the business strategy. The RAL Board and Management have placed higher interest on these important value adding areas. It was therefore of significance to realign all strategies to create synergies.

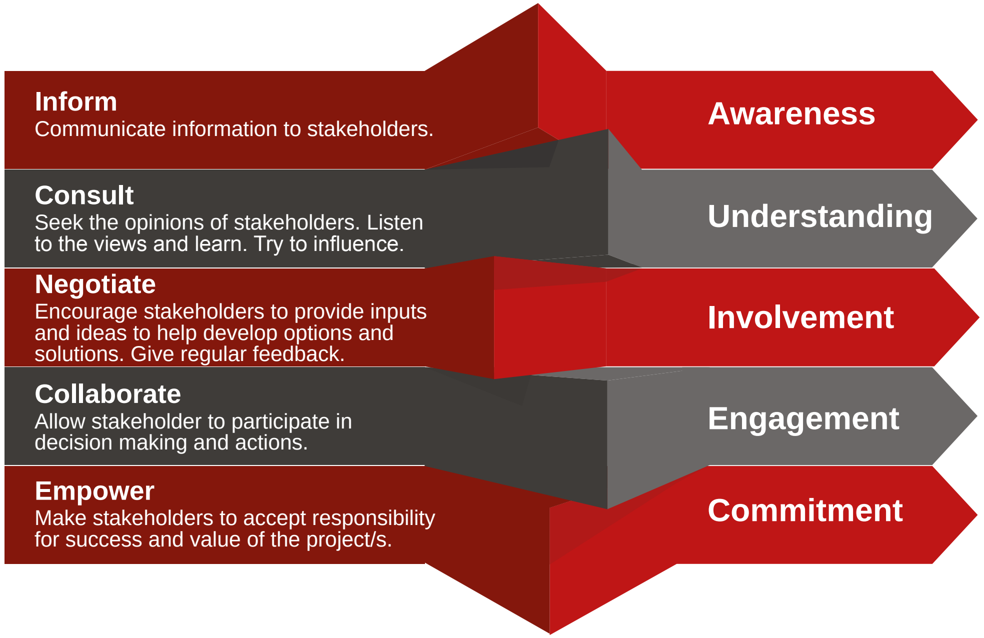
During the development of the current Communications and Stakeholder Management Strategies, the following gaps were identified:

- There is a weak link between RAL's communication machinery and its stakeholder management function.
- Lack of coherent alignment between the mother department and RAL; and
- Lack of distribution strategy for official publications.

The two strategies strive to position RAL as a champion of socio-economic development. RAL acknowledges that the Limpopo roads continue to shape the economic development trajectory of the province. In the process of executing this task, many jobs, training and skills development initiatives also continue to be created for locals. All these multiplier effects coupled with "sincerity" and "competence" should make RAL a trusted brand. It is important that the people of the Limpopo Province are informed about all these positive attributes and gains at all times.

The Following Diagram Summarises the Objectives of RAL's Marketing, Communications, Public Relations and Stakeholder Relations Approach

The diagram below gives a picture of how RAL engages its stakeholders and what it aims to achieve through these communication and public relations efforts:



Stakeholder Engagement

Stakeholder engagement remains an integral element of RAL's business strategy and value chain. The Board of RAL, in its turnaround strategy, identified stakeholder engagement as one of the critical success drivers. All operations of RAL are pre-dominantly stakeholder centred and driven. It is through stakeholder engagement and collaboration that the Agency can undertake and successfully execute most of its projects without difficulties.

RAL places great reliance on a complex network of stakeholders to create, capture and deliver optimal public value. In accordance with Part 5, as read with Principle 16 of the King IV Report, RAL advocates for an inclusive stakeholder approach. Accordingly, this approach puts the responsibility on RAL to balance the legitimate needs, interests, and expectations of RAL's key stakeholders. The Agency believes that the task of balancing the diverse interests of key stakeholders is a dynamic and ongoing process. During the financial year, RAL reviewed its stakeholder engagement compact to make it more impactful, proactive, and responsive.

The stakeholder engagement compact is founded of the notion of proactive engagement, inclusivity, and on-going dialogue with key stakeholders especially in areas of mutual interests and concern. RAL believes that successful stakeholder engagement requires a commitment to honestly engage with stakeholders, listen to them, build relationships with them, and then respond to their concerns in a mutually beneficial way. RAL subscribes to the view that stakeholder engagement is not an end but a means to help build better partnerships with communities in which it serves and operates, ultimately resulting in improved business planning and performance. RAL's stakeholders consist of individuals and groups or institutions which affect or influence – or are affected by or impacted upon by RAL's operations, services, products, and performance. During the reporting period, RAL primarily focused on five main stakeholders, namely; local communities, municipalities, and strategic partners, traditional and authentic.

Community Engagement

At the centre of the success of RAL's business are the communities the Agency serves. Communities are the make or break of the Limpopo Provincial road network. It is through the participation of communities where roads are built that RAL can create a rapport and contribute positively to the success of the project the Agency undertakes.

As end users of provincial roads, RAL constantly took the needs and concerns of communities into consideration during all the phases of the road construction and maintenance value chain. The Agency has concluded that no road construction or maintenance activity can succeed if its planning and implementation effort is not driven or influenced by community priorities and interests.

The long-standing view is that communities should always be at the centre of RAL's road planning, construction, and maintenance activity. Guided by this thinking, RAL undertook several initiatives to pro-actively engage various communities to address their legitimate concerns. During the financial year, 30 community engagement sessions were conducted, in which approximately 5 000 community members participated.

Whilst progress was made in addressing issues of concern to respective communities, RAL noted that its community engagement journey was not without its challenges. Some of the common concerns raised by various community groups during these engagement sessions include, among other things, the lack of proactive engagement especially on issues of concern to them, the inability by the Agency to prioritise their road upgrade needs and their lack of trust in RAL's ability to make good its past service delivery commitments.

Whilst most of the issues raised by communities during engagement sessions were genuine and understandable given the proven link between upgraded or tarred road surface and increased economic activity, RAL however regrets that due to budgetary constraints, the Agency could not cope with the steady increase in demand for upgraded roads. The fact that the province has a huge backlog for paved roads arising from past commitments was identified as the major worsening factor.

Municipality Engagement

The drive and success of delivering the road infrastructure network rests on the decisive collaboration, participation of all spheres of the Limpopo Provincial Government and the leading role they play. The municipalities play a major and significant role during all the phases of the road infrastructure from planning right to the implementation stage.

At the coalfaces of the planning phase of service delivery, various local and district municipalities, community and government interface play a role especially in the forecasting and influencing the resources allocation based on the strategy of government through the Integrated Development Planning (IDP). The role played by these municipalities is extremely beneficial to the road construction value chain of the Limpopo Province.

RAL relies on inputs generated by municipalities through their community-based IDP formulation processes to inform its road prioritisation plans.

Over the past few years, the relationship between RAL and the local municipality sector was not as sound as it should, and several factors were contributing to this undesirable situation. Among others and more importantly, was the failure to pro-actively involve and engage municipalities in RAL's road prioritisation sessions. The negative effect produced by this unwanted omission led to the lack of valuable collaboration among the different phases and spheres of government. This created a huge disconnect between RAL and local and district municipalities.

During the financial year under review, RAL witnessed a steady decrease in incidences of community protests. To be precise, the Agency recorded a total of five major protests. The efforts the Agency is taking to reach out to communities through relevant municipalities guided by the Honourable Namane Masemola's leadership are paying off. In the previous year, the trust deficit between RAL and communities was identified as the major driver that fuelled these community protests

It is highly important for district mayors to continue playing a front-line role in rallying their constituencies behind a shared road development vision and programme for the province. RAL and the entire municipality sector want to foster a common approach in devising an efficient system that will handle the planning, design, construction, maintenance and management of provincial road network. The shared vision of delivering an accessible, safe, and reliable network can only be a reality if district mayors are firmly involved in RAL's road planning and demand forecasting effort. A synchronised approach to road development and network management remains the only safest pathway to a shared road development trajectory in Limpopo.

Strategic Partnerships

Over the past several years, RAL adopted the strategic partnership approach as a feature in its business strategy. This has helped yield positive results as a considerable number of private sector players partnered with the Agency in improving the road infrastructure in the province. Effective pursuit of strategic partnerships with key role players in the road development sector remained a permanent and critical characteristic of RAL's operations. Given the persistent challenge of budgetary constraints facing the Agency, the idea of forming strategic partnerships was one of the avenues RAL employed to strengthen its funding environment. By establishing rewarding partnerships, RAL successfully unlocked value-added synergies and co-funding opportunities from the private sector. It is important to note that during the reporting period, RAL continued to earn the trust and confidence of its strategic partners. This was evidenced by the level of funding commitments that were made by our key partners over the years. Private companies that contributed valuable funding support to RAL during the financial year include companies such as Marula Mine, Exxaro Mine, Anglo Platinum Mine, ZZ2 and Venetia Mine. The co-funding opportunities created through these strategic partnerships had a positive bearing on RAL's financial and operating leverage.

SMME Empowerment Programme

RAL acknowledges the integral role played by the Small, Medium and Micro Enterprises (SMMEs) in its efforts to address the key priorities of the National Development Plan (NDP), namely; poverty alleviation, job creation and inclusive economic growth. At RAL, SMMEs are regarded as catalytic drivers for economic transformation and job creation. SMMEs are some of the avenues RAL continued to use during the financial year to achieve the NDP vision of creating a better South Africa for all by the year 2030. We are fully aware that the NDP anticipates SMMEs to create nine million out of the eleven million new jobs to be created by 2030.

The NDP effectively places an obligation on RAL as an Agency of the Provincial Government to intensify efforts to build and leverage the SMME sector's job absorption capability. RAL's view is that the promotion of SMMEs is central to the Limpopo Provincial Government's strategy of addressing the imbalances of the past and to create employment and income generation. In this light, RAL runs an SMME Empowerment Programme. This programme consists of three core pillars, which are Emerging Contractor Development Programme, Local Labourer Programme and Skill Development Programme. A discussion of the three programmes is summarised below:

Emerging Contractor Development Programme

RAL's Emerging Contractor Development Programme aims to improve the economic participation parity of construction companies owned by Historically Disadvantaged Individuals (HDIs). To be precise, the programme primarily targets companies owned by women, youth and people with disabilities. As a firm believer in its Emerging Contractor Development Programme, the Agency overachieved on its targets, spending 33% of its projects budget on SMME empowerment in the financial year under review, benefiting 500 emerging contractors in the process. Overall, RAL spent a total of R122 million on SMME procurement. RAL also initiated a process of restructuring its work packages to create more project opportunities for smaller contractors. The Agency is creating a sliding scale model which will assist small enterprises to develop and progress from sub-contracting to tender for more complex projects.

Local Labourer Programme

Global trends demonstrate that road infrastructure projects can catalyse the meaningful participation of HDIs in the local job market. Due to the construction industry's labour intensity nature, the NDP expects RAL to prioritise capital projects that enhance the provincial economy's labour absorption capacity. In his 2020 State of the Nation Address (SONA), His Excellency President Cyril Ramaphosa reaffirmed the sixth administration's commitment to direct relentless focus towards infrastructural projects with the potential to usher the economy on the path of economic recovery and job creation. This 2019/20 Annual Report is being presented at a time when the local economy is failing to create new jobs let alone sustaining existing ones. RAL shares the view that collective effort is vital to curb the scourge of youth unemployment (which currently sits at 58.2 percent according to 2019 third quarter Statistics South Africa (StatsSA) data). The Agency's Local Labourer Programme is designed in such a way that for upgrading projects main contractors must ensure that 10 percent of their labourers consist of local women, youth and people with disabilities; the percentage for maintenance projects is 5% local labourers. During the review period, a total of R36 million was invested in RAL's Local Labourer Programme, and in the process creating a total of 2 000 work opportunities to HDIs. Compared to the 2018/19 financial year, the 2019/20 period witnessed a 10 percent decrease in the budget spent on the Local Labourer Programme. The reduction was as a result of budgetary constraints.

Year	Actual expenditure on Labour R'm	Expenditure on SMMEs R'm	Further Education and Training	Labour Training
2015/16	29	109	437	61
2016/17	61	155	1747	348
2017/18	35	142	553	731
2018/19	38	121	523	716
2019/20	36	122	503	293
2020/21				

Skills Development Programme

Skills Development Programme is the cornerstone of RAL's community empowerment programme. The programme was informed by a study by the Southern Africa Labour and Development Research Unit (SALDRU). The study revealed that young people with no Senior Certificate constitute the most vulnerable youth grouping in South Africa. RAL's skills development programme appreciates the catalytic role played by skills development in enhancing the chances of young people of getting employment. The programme, which is implemented in conjunction with Construction Education and Training Authority (CETA) and other accredited Sector Education and Training Authorities (SETAs), comprises of two main skill areas, namely (1) Further Education and Training (FET) and (2) the Labourer Training Programme (LTP).

The FET programme which targets post-school youth, women and people with disabilities aims to equip beneficiaries with unit standard aligned construction related qualifications. During the period under review, a total of 503 youth, women and people with disabilities received FET training in various construction courses. In comparison to the 2018/19 figure, a slight decrease of 6 percent was recorded.

The Labourer Training Programme (LTP) is a skills transfer programme that equips local labourers linked to RAL's projects with non-unit standard aligned skills programmes. During the period under review, a total of 293 labourers were trained in various construction related courses. Despite the challenge of limited funding, RAL remains committed in contributing to the NDP developmental priorities, particularly those related to fostering inclusive economic growth and job creation.


RAL
ROADS AGENCY
LIMPOPO
TOGETHER FOR BETTER ROADS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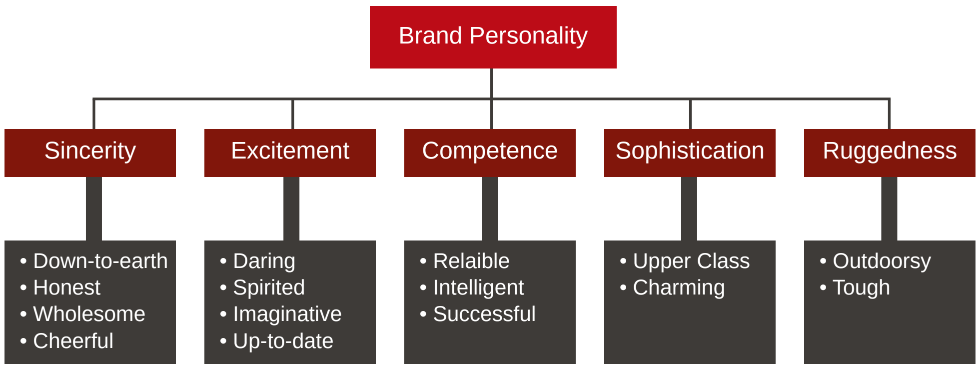
MMILENG
Welcome to Our Road Network
ISSUE 1 OF 2021
BIG INTERVIEW
Board's Social & Ethics Committee Chairperson
Motlhanke Phukuntsi
The Gospel Truth
WINNIE MASHABA
Ga-Phasha Road – Musical Journey
SIGNED, SEALED & DELIVERED
Mphanama to Jane Furse •
Ga-Masemola •
GOVERNMENT COMMITMENT
ON ROADS
MPOPO SOPA + LDPWRI BUDGET
ROADS AGENCY LIMPOPO
MINTIRHO YA VULAVULA
MEC Masemola Introduces Projects
Community Engagement Phaphazela
R100m for Sekhukhune Communities
LIMPOPO PROVINCIAL GOVERNMENT
PUBLIC WORKS, ROADS & INFRASTRUCTURE
MacBook Pro

Marketing, Communications and Public Relations

The year under review has seen RAL taking a dipstick look at its communication and public relations mechanisms. The goal of this exercise included evaluating its strengths and weaknesses with the view to strengthen them. RAL's communications and public relations approach is used to effectively communicate key messages to Limpopo's diverse public. It was important to first identify and develop a clear stakeholder matrix so that different and relevant mix of communication and public relations tools are developed and used. RAL recognises the fact that there are different audiences influenced by varied drivers or factors. It is therefore important that messages are tailored to resonate with each group of stakeholders. Alignment of all stakeholder relations, communications and public relations was also conducted.

To promote RAL's visibility and market presence, the Agency continues to run communication and public relations initiatives. A greater focus has been dedicated to stakeholder communication tools. Direct contact with stakeholders has been achieved through participation at different events.

A Brand Personality Framework



Adapted from Aaker (1987)

Mmileng – Flagship External Official Publication

Roads Agency Limpopo publishes a quarterly magazine named Mmileng (Sepedi word for 'On the Road'). This publication, which has now become a flagship publication for RAL, is used as a public relations instrument in a rather complex market due to the nature of the core business i.e., engineering and construction of roads. This publication promotes the work of RAL and how it impacts positively on the life of the residents of Limpopo. The publication mainly focuses on informing and educating stakeholders about the work done by the Agency and encourages the readers to visit other platforms that carry news about RAL.

More than educating and informing RAL's stakeholders the publication positions RAL as the service delivery agent rather than engineering, construction, and project management company. In this way, it can be viewed as a stakeholder driven publication.

The publication, which has worked positively for RAL, became the only formal external communication and public relations tool. Several editions have been published to date.

A recent review of the effectiveness of the publication was conducted and resulted into the strengthening of the content mix, target market and more importantly developing the distribution strategy. The target market for the magazine is now clearly segmented and not generalised. The distribution was consequently generalised to include Limpopo government departments.

Distribution of Mmileng and other good news about provincial roads:

Mmileng is currently distributed through various platforms. These platforms include several social media platforms such as Facebook, Twitter, and Instagram. The platforms reach a considerable number of stakeholders in the province and outside. The publication has, through social media and other digital platforms, been gaining traction in recent times. This distribution strategy has greatly helped in enhancing publicity in this regard. Mmileng is also delivered physically to many of those who do not have the advantage of using or accessing technology and digital platforms used by RAL.

In the publication, RAL has introduced important sections such as Mintirho ya Vulavula, the popular Vox Pop page which covers the views and comments directly from the recipients (stakeholders) of the services RAL offers. Other significant sections include stakeholder engagement where the shareholder representative of RAL, Honourable MEC for Limpopo Department of Public Works, Road and Infrastructure is in constant communication with communities to listen to their concerns and address them. The impact of SMME and local labour empowerment initiatives are also publicised to show the impact created by the work of RAL.

Media Relations

The media strategy of RAL is founded on developing and building a proactive and strong partnership with carefully selected media outlets. It is through a managed relationship with the media that programmes, events and other newsworthy stories are published or broadcasted, thereby reaching the intended audience. In the year under review, RAL targeted media platforms with a wider reach readership in terms of newspapers (or listenership in case of radio or viewership in case of TV) and widespread geographic presence. The aim is to ensure that information about RAL has a wider audience reach. Partnerships with the media to drive specific messages during critical seasons of the RAL business will be explored to both strengthen media relationships and engage the public through guaranteed media exposure.

Social Media

Given the increase in the usage of social media as one of the prominent communication tools, RAL has adopted a social media mix strategy that generates relatively high numbers of readership, listenership, and viewership. The Agency has also adopted several digital communications platforms to enhance its readership and listenership coverage.

Further efforts to enhance the distribution strategy for Mmileng and other newsworthy stories:

In enhancing the distribution of good work done by the Department through the Agency, the approved Communications Strategy identifies distribution as requiring further immediate attention and strengthening. In strengthening this area, the Agency resolved to prioritise the digital age as an advantage by exploring more established and emerging digital platforms to distribute Mmileng and other news. So far RAL utilises the following platforms:

- RAL website
- Zio
- Press Reader
- Yumpu
- Magzter
- Issuu
- Twitter
- Facebook
- YouTube
- Instagram

Each new edition is also promoted on RAL social media channels, Twitter and Facebook, in a form of page images and videos. Currently, we are exploring the idea of using the cover stars or personalities (mainly celebrities who identify with the Limpopo Province) to help promote an edition they are featured in and the road infrastructure work done in Limpopo. These celebrities are not paid to be covered or featured in Mmileng as they also receive publicity in return. RAL's main requirement is that the covered celebrities must have roots in Limpopo or have some connection with the province so that they see value in promoting the image of their province. These individuals, through their massive following in the province, have the capacity to raise awareness about RAL, LDPWRI and the work that our government in the province has conducted.

Why use personalities or celebrities for Public Relations?

In recent times, influencer marketing has risen to prominence and cross pollination of this practice into public relations is a no brainer. In considering the influence wielded by these celebrities and personalities, RAL has sought to collaborate with them for value sharing and ultimately to share their huge following on social media which in turn maximises our public relations mileage.

Since the use of this strategy, RAL has significantly increased its awareness, support, and following on various social media platforms such Twitter, Facebook and YouTube. The evidence of this can be seen in a form of positive comments made by the readers and stakeholders. The readership of Mmileng has, because of this growth, also increased substantially. Initially, about 1000 copies of Mmileng were printed, but due to the high demand of copies, we have now increased the printing number to 1500.

Mmileng Issue 3 of 2020 has been our most popular edition yet judging by the social media mentions. We feel that the main reason for this popularity is because of the personality used along with their support and following. The catch in featuring personalities is, however, conditional – a positive comment on the road infrastructure work of the Agency or road safety tips. This influencer strategy has worked like a charm in that it triggers interest in the publication and curiosity about what the publication contains. Our expectation and plan in covering the celebrities is to get them to comment positively about Limpopo's Road infrastructure and the work of RAL, thereby influencing those who support and follow them to see and say the positives about the Agency.

As part of promoting content, Mmileng Issue 1 of 2021, of which some of the content listed below will be linked via a QR Code to available videos on the internet:

Revamping the RAL Website and Intranet:

As part of the implementation of the Communication Strategy, the Agency has also revamped its website and intranet to be more interactive and accommodating to its valued stakeholders, including internal stakeholders.

Since the new website became live, many positive reviews have been echoed by stakeholders. This website now has links to all social media platforms where the Agency distributes its positive news, and the news is easy and quick to access by the readers or stakeholders.

Rebranding RAL and the New Logo:

RAL recognises that a healthy brand image aids the organisation to pursue its mandate and business with relative ease in situations that would be extremely challenging. Efforts have been mooted to ensure RAL develops its brand perception as competent and sincere.

RAL has already implemented most branding approved plans which included modifying the logo, branding the RAL building and reception signage, social media platforms (Facebook, Twitter, Instagram and YouTube), redesigned letterhead, email signatures, website and intranet. The diagram below, indicates the efforts RAL took during the review process to improve all branding initiatives.

The objectives of the exercise above were:

- To gain a fundamental understanding of where RAL's brand stands in its current state;
- To seek innovative ideas of improving the organisation's internal communication and employee relations;
- To understand the positive and negative influencers of the RAL brand;
- To establish our emotional brand value in how our stakeholders relate to the organisation

based on our brand identity namely attitude, mandate, culture, essence, mission, vision and core values, tagline and projects (before project, during, after experience including maintenance);

- To establish our tangible brand value in how our stakeholders relate to the organisation based on our visual brand elements (corporate identity) namely (full) logo, logo symbol and logo type, fonts, tagline and corporate colours/tone, social media and broadcast, print and digital media (including social media and website) engagement and presence.

Technical Modifications/Refinements to the RAL Logo

The Roads Agency Limpopo logo, which has been an enduring symbol for the Agency for two decades now since RAL became operational in the year 2000, has been modified (mark and typeface) to make it bold, competitive, and versatile for the current environment and into a foreseeable future. The modified logo, while accentuating the previous colours to more visible two-colour combinations (black/white, red/black etc), has not deviated from the previous logo and should remain recognisable as a RAL logo to external stakeholders.

The logo remains distinctive and appropriate to its original concept, i.e. an evolutionary instead of revolutionary approach was taken in the design of the new logo. The logo had not aged well (evolved) in terms of practicability and application to purpose, read in new mediums, platforms and tools.

The mediums of application have evolved and changed over the years; some have fallen off and became obsolete while other mediums, especially digital ones, have either presented a fresh opportunity or have dropped down the frequency or preference ranking. In the same light, RAL's logo outdoor readability and visibility index is diminishing year after year with new platforms emerging.

When the logo was first adopted in 2001, its top mediums of application were stationery, i.e. how the logo appeared on a letterhead, business card, on the other side of the facsimile machine, etc. However, over the years the logo has been found wanting, in terms of its adaptability, readability and visibility (from a distance) on physical and digital platforms, for example its colours and lines on Hi Vis vests, hard hats, information/construction boards, digital platforms, marketing/promotional materials, etc.

The RAL logo, above and beyond its increasing frustrations with its physical application as we move into a more digital age, remains as recognisable and simple in appeal as ever. The refreshed logo will also seek to incorporate the essence of what RAL is as an organisation, that more than our core mandate of building and maintaining road infrastructure in Limpopo Province, we are an approachable Agency that is connecting the people of Limpopo in line with our mission statement of "contributing to socio-economic development by connecting the people of Limpopo Province".

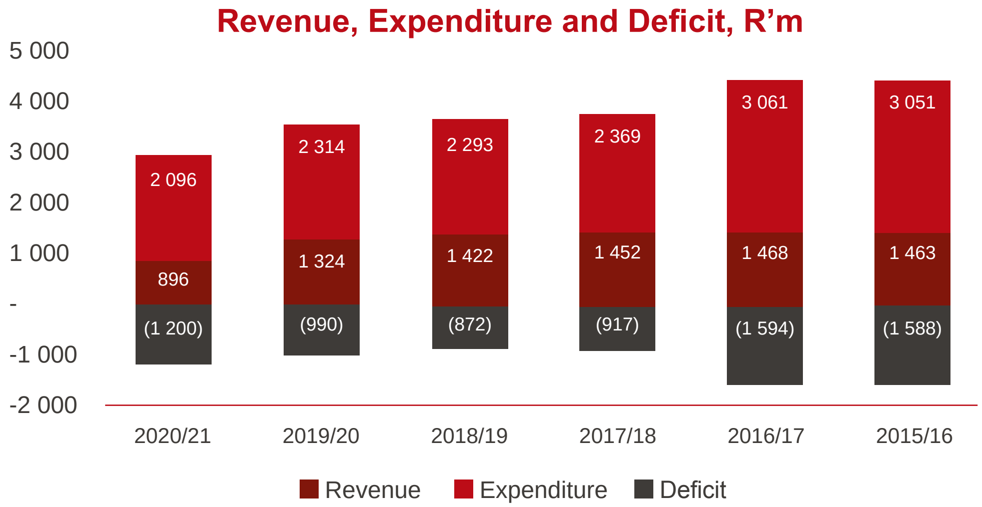
Road R525 - Masisi to Phafuri - Vhembe District

PART F

FINANCIAL INFORMATION

1. Financial Performance

The 2020/21 financial year marked the sixth year since RAL found itself in a very uncomfortable financial position due to over-commitments. The outbreak of Covid-19 has not made it easier for the government departments and public entities. RAL is not immune to the impact of Covid-19. The allocated government grant for the Agency was reduced by 4% from R1,422 billion in 2019/20 to R1,366 billion in 2020/21. RAL could only spend a total grant of R892 million due to the delays in the commencement of the road maintenance projects and requested rollover of the unspent R474 million to 2021/22. Although the net deficit for the year increased by 21% to R1,20 billion, cost control and other prudent expenditure management helped curb the increase in the deficit even higher. Despite these challenges, RAL still managed to spend within the allocated budget. RAL also reduced infrastructure commitments for road upgrades (which previously resulted in overcommitments) to R545 million (2019/20: R1, 061 billion). The entity's liquidity position (cash available to pay current liabilities) has also improved by 12% to R91 million (2019/20: R103 million).



Profitability

RAL recorded a net deficit of R1,2 billion in the 2020/21 financial year (2019/20: R995 million). The loss was mainly due to the depreciation, impairment loss and derecognition of infrastructure assets, as well as claims for the standing times of R1,863 billion (2019/20: R2,007 billion), R23 million (2019/20: R122 million), and R31 million (2019/20: R33 million), respectively.

Revenue. The total revenue for the year was R896 million (2019/20: R1,323 billion), and it is mainly from government grant allocation. Government grant budget allocations are almost evenly distributed between conditional grants and equitable shares. Only equitable shares can be used for the road upgrade, while the conditional grant is meant solely for road repairs, maintenance, and rehabilitation. Government grants account for more than 90% of the total revenues. The balance of revenue is mainly from contributions by the private sector and interest income. RAL generated R3 million (2019/20: R3 million) mainly from interest on a call account, rental of billboards, and application for road access. In addition, contributions from private sector partners amounted to R230 000 (2019/20: R27 million).

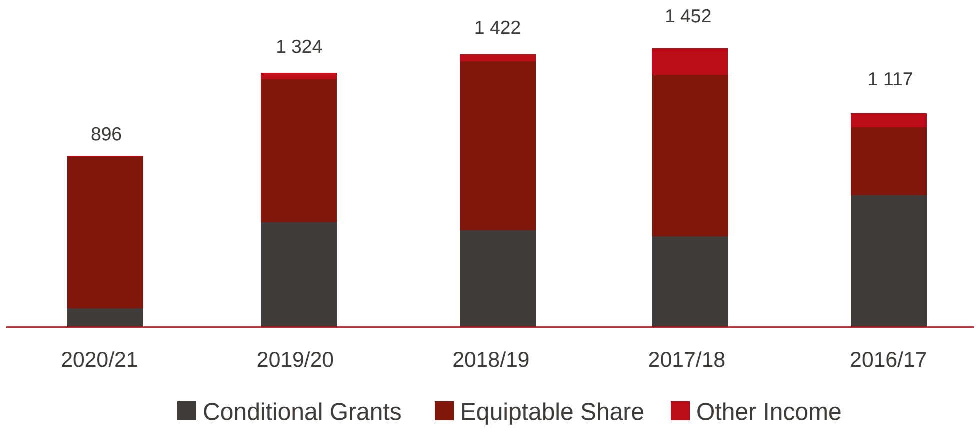
Expenditure

Employee Related Costs. The personnel costs declined by 3% to R78 million (2019/20: R80 million). The reduction in employee-related expenses was caused by the resignation of some employees whose positions remain unfilled. The entity has also not been able to fill existing vacancies due to the moratorium on appointments.

Depreciation, Amortisation and Impairments. The high depreciation of infrastructure assets is attributable to the huge infrastructure asset base, which is R18,231 billion (2019/20: R19,400 billion) at the end of the year. The ageing of the road infrastructure network and low road maintenance grants have led to insufficient road maintenance, resulting in road impairment losses of up to R23 million (2019/20: R122 million). A decrease in impairment loss is because most of the roads in the network have been impaired in previous years, and no further impairment is required.

Repair and Maintenance. This relates mainly to the costs of routine repair and maintenance of roads. Repairs and maintenance costs increased by 87% to R56 million (2019/20: R30

Revenue, R'm



million), which is due to the increase in budget allocations for job creation in the Presidential Employment Initiative grants. LDPWRI performs most of the maintenance work on the RAL's road network.

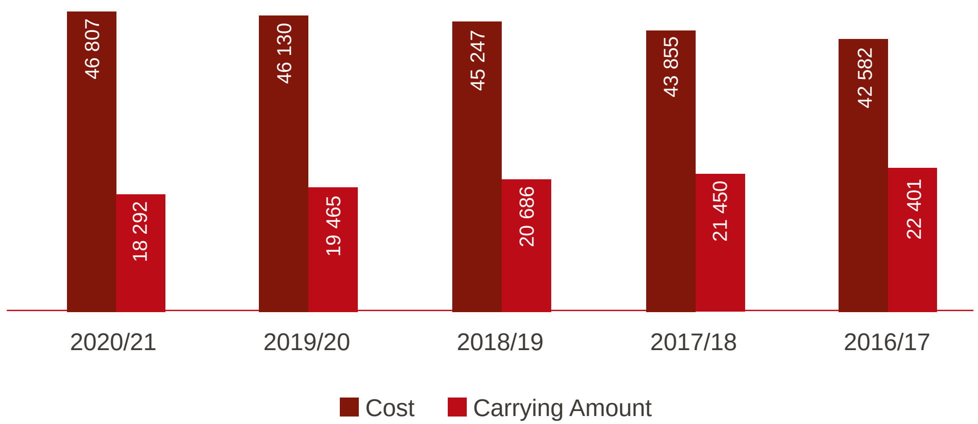
General Expense. General expenditure dropped from R46 million in 2019/20 to R43 million in 2020/21, a 7% drop. The main reasons for the decrease were the reduction in the subsistence and travelling costs due to lockdown and decline in professional fees caused by the implementation of cost containment measures with a total reduction of R6 million, from 2019/20 to 2020/21. These declines were offset by an increase of R2 million in marketing and public relations expenditures due to changes in the entity's brand and an increase of R2 million in legal expenses due to the increase in the number of legal claims against the Agency.

Financial Position

RAL's total assets declined by 6% to R18,407 billion (2019/20: R19,615 billion), and the total liabilities fell by 2% to R248 million (2019/20: R253 million).

Assets. Total assets decreased by R1.208 billion, mainly due to the depreciation of infrastructure assets of R1,863 billion (2019/20: R2,070 billion) and the high impairment loss of R23 million caused by the ageing of road infrastructure assets. This decline was offset by R716 million (2019/20: R936 million) additional road infrastructure constructed in the period. In the five years, 2016/17 to 2020/21, the net carrying amount of RAL's property, plant and equipment declined by 18% from R22,401 billion in 2016/17 to R18,292 billion in 2020/21, which translates into a cumulative annual decline of 5%. During these five years, the total increase in infrastructure assets was R4,225 billion, and the total asset depreciation and amortisation was R8,334 billion, resulting in a net decrease of R410.9 billion in assets.

Property, Plant and Equipment, R'm



Liabilities. The Agency's total liability decreased marginally by R5 million to R248 million. A provision for a standing time of R31 million offset the reduction in total liability. The liabilities are made up mainly of payables on infrastructure projects of R122 million (2019/20: R89 million), payables to private sector partnerships of R19 million (2019/20: R92 million), retentions of R67 million (2019/20: R60 million), and provision for standing time claims to contractors due to Covid-19 lockdown of R31 million. RAL continues to pay invoices within 30 days per the Agency's policy.

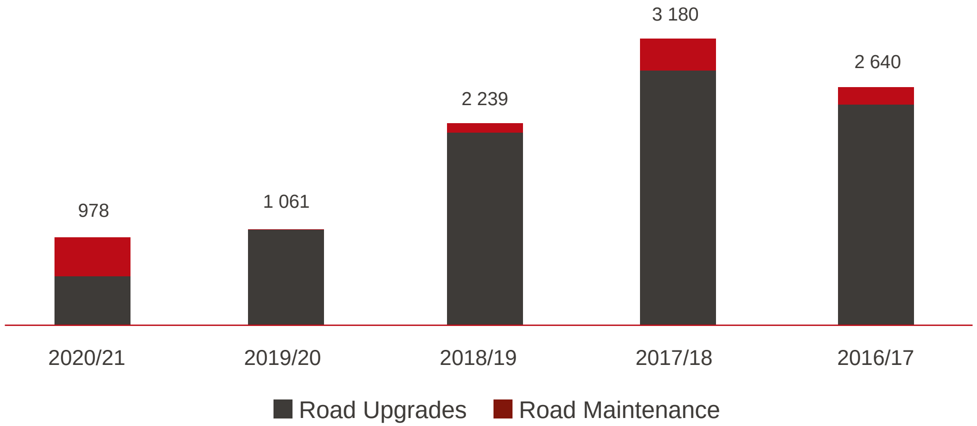
Solvency. RAL's solvency ratio, measured as total debt/net assets, is comfortably low at 1% (2019/20: 1%). Since RAL is a public entity in Schedule 3C, it cannot borrow and has a considerable infrastructure asset base; its solvency ratio is very low.

Commitments

RAL's commitments on infrastructure ballooned in the previous years, reaching R3,2 billion in 2017/18, as compared to the average budget for the infrastructure of R1,2 billion (from 2017/18 to 2020/21). Community demands for the road upgrades caused this increase while a greater percentage of the Agency's budget allocation is on road maintenance. RAL has worked earnestly to reduce the overcommitment, and the results of the entity's efforts are starting to bear the fruits. It is expected that the overcommitment will be eliminated by the end of the 2021/22 financial year.

The total commitment for road infrastructure has been reduced from R1,061 billion in 2019/20 to R978 million in 2020/21. It is worth noting that the road upgrade commitment, on which RAL is over committed, has reduced by R511 million, from R1,056 billion in 2019/20 to R545 million in 2020/21. The road maintenance commitment of R433 million in 2020/21 bears testimony to the Agency's unwavering commitment to spend the conditional grants on the road maintenance, as per the conditions of the grant.

Infrastructure Commitments, R'm



Cash Flow

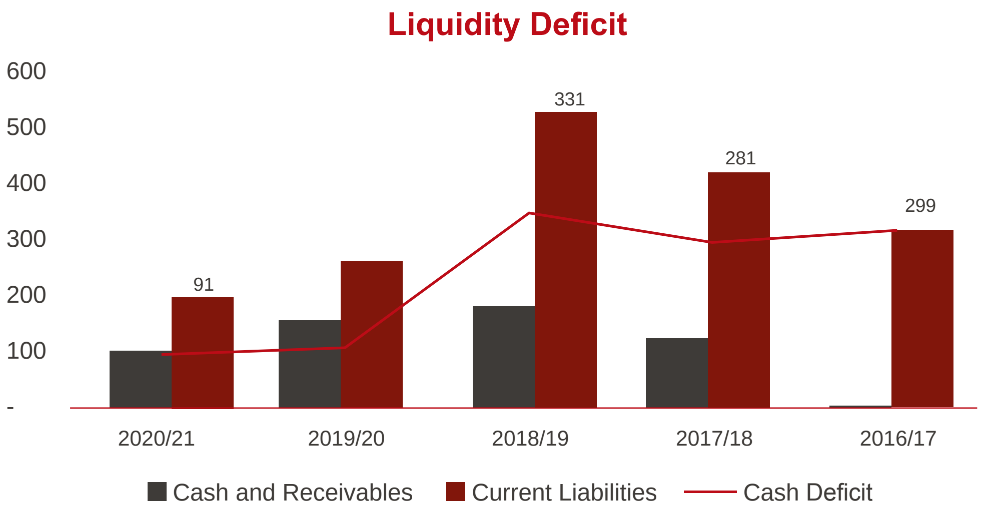
Summary of the cash flows for the five years ended 31 March 2021

R'000	**2020/21**	**2019/20**	**2018/19**	**2017/18**	**2016/17**	**2015/16**
Net cash flows from operating activities	694 535	1 144 453	1 202 811	1 168 429	669 718	591 529
Net cash flows from investing activities	(747 802)	(1 166 725)	(1 149 664)	(1 052 320)	(814 397)	(563 927)
Net cash flows from financing activities	-	(221)	(348)	(313)	(130)	-
Net increase/(decrease) in cash and cash equivalents	**(53 267)**	**(22 493)**	**52 799**	**115 796**	**(144 809)**	**27 602**
Cash and cash equivalents at the beginning of the year	147 580	170 073	117 274	1 478	146 287	118 685
Cash and cash equivalents at the end of the year	**94 313**	**147 580**	**170 073**	**117 274**	**1 478**	**146 287**

Cash Flow from Operating Activities. Cash flow from operating activities declined by 39% to R695 billion (2019/20: R1,144 billion). The decline was mainly caused by the surrender of unspent conditional grants of R474 million due to underspending by the Agency as a result of the late appointment of contractors for road maintenance.

Cash Flow from Investing Activities. The total spending on assets decreased by R220 million (24%), from R936 million in 2019/20 to R716 million in 2020/21. The reduction in capital expenditures has led to a corresponding decrease in cash outflows from investing activities.

Cash and Cash Equivalents. The cash at the bank decreased by R54 million to R94 million (2019/20: R148 million). RAL received the last tranche of the grant on the last day of the financial year. Consequently, creditors who invoiced RAL in March were paid after the end of the financial year. The cash available to pay current liabilities, consisting of cash and cash equivalents and accounts receivable, decreased from a deficit of R103 million in 2019/20 to a deficit of R91 million in 2020/21. The decline in the deficit is due to reduced commitments to road upgrades. In the past four years, the cash deficit has averaged R250 million.



RAL now sticks to the allocated budget and uses the allocated grants according to their conditions. The Agency will intensify its efforts to increase the private sector's contribution to road construction while bidding for the increased allocation of conditional grant budgets.

Control Environment

Although RAL has obtained unqualified audit results in the previous financial years, it has not yet received clean audit results. The failure to achieve a clean audit reflects some deficiencies in the control environment. The under-capacity of some support functions such as human resources, finance, and supply chain made it difficult to achieve a clean audit. Despite those challenges, RAL has still maintained the unqualified audit results. The focus is now on reviewing the organisational structure and is also filling critical vacancies. This will ensure that there is a clear allocation of responsibilities and segregation of duties. In addition, although reconciliations and reviews are being conducted, capacity constraints are limiting the effectiveness of these controls. In the 2014/15 financial year, when RAL went out of section 100 administration, it had many internal control deficiencies. Notably, most departments in the organisation did not have approved policies and documented processes and procedures. RAL has now established policies for all key areas of activity and has started documenting processes and procedures.

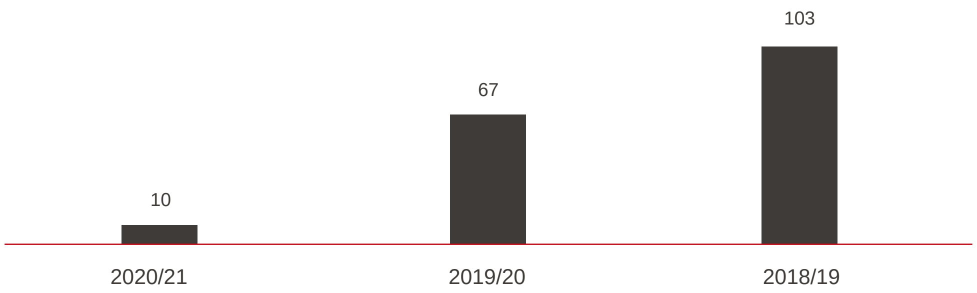
In addition, the Provincial Treasury requires public entities and departments to establish internal control/proactive assurance functions reporting to the CFO. RAL has established a proactive assurance function to provide another layer of review by ensuring the development and implementation of the audit action plans and finance risk management. In particular, this function reviews the supply chain processes, which is the main source of irregular expenditures. This function also ensures that the finance department complies with policies and procedures before internal and external audits conduct the audits. Although it needs improvement, the function has significantly reduced the number of non-compliances and other audit results from previous years.

Audit Outcome

RAL has received an unqualified audit opinion from the Auditor General of South Africa (AGSA) for the 5th consecutive year, with findings on compliance with laws and regulations. The non-compliance with laws and regulations were mainly caused by irregular expenditure and adjustment of the financial statements and performance information submitted for the audit. Although the management is dissatisfied with the ostensible stagnation of audit improvement, we are pleased with the fact that this year's performance information is unqualified.

Over the past years, management has exerted significant effort on training the supply chain practitioners and members of the bid committees on the PFMA and Treasury Regulations, which was identified as the major cause of non-compliances and increasing irregular expenditures. The results of this effort can be seen in the year-on-year decrease in irregular expenditures from new contracts as shown below:

Irregular Expenditure from 2018/19 to 2020/21, R'm



Although avoiding new irregular expenditure incidents is the primary goal, the Agency is also aware of the importance of obtaining condonement of irregular expenditures and is in the process of seeking such condonements. After receiving the 5th unqualified audit report in a row, we would like to reiterate our long-standing commitment to lead the organisation to achieve clean audit and believe that we are on the right path to achieving this goal.

We believe that unqualified and clean audits in the future hinge on improving the control environment.

Future Prospect

Due to over-commitment, the Agency has had almost no new upgrade projects in the past three years. The projects implemented were mainly appointed before 2015/16 financial year. We are pleased with the progress made in reducing the over-commitment of Equitable Share grants and look forward to starting new upgrade projects in the next financial year. Also, the Agency is now spending PRMG grants on road maintenance, as per the conditions of the grants.

We are planning to increase the number of road maintenance projects in the Province to address the backlog of road maintenance. This will increase the workload of the supply chain management department, so it is necessary to transform the procurement method into a more effective procurement method.

Finally, various forensic investigations are currently underway within the Agency. They hampered progress in condonement of irregular expenditure. The agency hopes to get a final report in the following financial year, which will pave the way for the condonement of irregular expenditure.

2. Directors' Responsibilities and Approval

The Board of Directors is required by the Public Finance Management Act 1 of 1999, as amended (PFMA), to maintain adequate accounting records and is responsible for the preparation and integrity of the audited annual financial statements and related financial information included in this annual report. It is the responsibility of the Board of Directors to ensure that audited annual financial statements fairly represent the state of affairs of Roads Agency Limpopo (SOC) Ltd as at the end of the financial year and the results of its operations and cash flows for the period ended.

These financial statements have been prepared using appropriate accounting policies, supported by reasonable and prudent judgment and estimate, in conformity, in all material respects with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP).

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

The Board of Directors is of the opinion that the financial statements fairly represent the financial position of Roads Agency Limpopo (SOC) Ltd. The Auditor-General South Africa, who are the independent auditors of Roads Agency Limpopo (SOC) Ltd, are engaged to express an opinion on the annual financial statements and were given unrestricted access to all financial records and related data, including minutes of the Board of Directors, the Committees of the Board and the management of the Roads Agency Limpopo (SOC) Ltd. The Board of Directors has no reason to believe that all representations made to the independent auditors during the audit are not valid and appropriate. The Board of Directors further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Board of Directors to suggest that the Roads Agency Limpopo (SOC) Ltd will not remain a going concern for at least the following twelve months.

The Annual Financial Statements of Roads Agency Limpopo (SOC) Ltd which appear on pages 94-143 were approved by the Board of Directors and are signed on their behalf by:

Mr. G.M. Maluleke CA(SA)
Chief Executive Officer

31 August 2021

Ms. M.G. Mokoka CA (SA)
Chairperson: Audit and Risk Committee

31 August 2021

Mr. M.S. Ralebipi
Chairperson: Board of Directors

31 August 2021

Report of the auditor-general to the Limpopo Provincial Legislature on the Road Agency Limpopo

Opinion

1. I have audited the financial statements of the Roads Agency Limpopo, set out on pages 93 to 143, which comprise the statement of financial position as at 31 March 2021, statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to financial statements, including a summary of significant accounting policies

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Roads Agency Limpopo as at 31 March 2021, and its financial performance and cash flows for the year then ended, in accordance with South African Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

Context of the Opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of Matters

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

Restatement of Corresponding Figures

7. As disclosed in note 34 to the financial statements, the corresponding figures for 31 March 2020 were restated as a result of errors in the financial statements of the entity at, and for the year ended, 31 March 2021

Significant Uncertainties

8. With reference to note 31 to the financial statements, the entity is the defendant in a number of lawsuits. The entity is opposing these claims. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

Irregular Expenditure

9. As disclosed in note 38 to the financial statements, the entity incurred irregular expenditure of R733 574 000, as it did not follow a proper supply chain process process and spent funds on projects that were not budgeted for.

Underspending of the Budget

10. As disclosed in note 8, the entity materially underspent the budget by R473 818 000 on road infrastructure maintenance.

Responsibilities of the Accounting Authority for the Financial Statements

11. The Board of Directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP, and the requirements of the PFMA and the Companies Act, 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.

12. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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

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

Introduction and Scope

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

16. My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the entity's annual performance report for the year ended 31 March 2021:

Programme	Pages in the Annual Performance Report
Programme 2: Roads Infrastructure	27 - 30

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

19. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme.

- **Programme 2: Roads Infrastructure**

Other Matters

20. I draw attention to the matters below.

Achievement of Planned Targets

21. Refer to the annual performance report on page(s) 21 to 31 for information on the achievement of planned targets for the year and management explanations provided for the under/overachievement of targets. This information should be considered in the context of the unqualified opinion expressed on the usefulness and reliability of the reported performance information in paragraph 19 of this report.

Adjustment of Material Misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 2 : Roads Infrastructure. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

5. Report on the Audit of Compliance with Legislation

Introduction and Scope

23. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

24. The material findings on compliance with specific matters in key legislation are as follows:

Annual Financial Statements

25. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA.

    Material misstatements of non-current assets and disclosure items identified by the auditors in the submitted financial statement were corrected and/or the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure Management

26. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R733 574 000 as disclosed in note 38 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The irregular expenditure was caused by non-compliance with supply chain regulations in the prior years and spending not in line with table B5.

27. Resources of the entity were not utilised economically, as required by section 57(b) of the PFMA.

Strategic Planning and Performance Management

28. Procedures for the facilitation of effective performance monitoring, evaluation and corrective action through quarterly reports were not adequate, as required by treasury regulation 30.2.1

Procurement and Contract Management

29. I was unable to obtain sufficient appropriate audit evidence that all contracts were awarded in accordance with the legislative requirements as bid documents could not be provided as they are subject to legal process/disputes initiated by the losing bidders.

30. Some of the contracts were extended or modified without the approval of a properly delegated official as required by section 44 of the PFMA and treasury regulations 8.1 and 8.2.

Other Information

31. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act 71 of 2008 (Companies Act). The other information does not include the financial statements, the auditor's report and those selected programme presented in the annual performance report that have been specifically reported in this auditor's report.

32. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

33. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

34. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal Control Deficiencies

35. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

36. Leadership did not adequately review the financial statements and annual performance report to prevent the risk of material misstatements as material errors were identified which required adjustments.

37. The entity developed a plan to address internal and external audit findings, but the appropriate level of management did not timeously monitor adherence to the plan.

38. The entity did not have a proper record management system to maintain information that supported the reported performance in the annual performance report as material errors were identified which required adjustments.

39. The entity did not adequately review and monitor compliance with applicable procurement legislation and the requirements of the PFMA.

Material Irregularities

40. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of the material irregularities reported in the previous year's auditor's report.

Status of Previously Reported Material Irregularities

Approval of variation order for standing time

41. Roads Agency Limpopo appointed a service provider for the upgrade of road D2536 from Settlers to Witlaagte (Mpumalanga) in the Waterberg district of Limpopo Province. Construction was scheduled to start from 23 January 2017 and the permit to perform construction works was only applied for by Roads Agency Limpopo (RAL) on 17 February 2017 and approved on 6 March 2017 and received on 09 March 2017.The contractor took site on 23 January 2017 without the construction work permit and claimed standing time for the period of permit delays.

42. The entity did not comply with the requirements of paragraph 3.1 of the construction regulations as they only applied for a construction works permit after the date the construction work was to be carried out. This non-compliance is likely to result in a material financial loss of R1 294 932

43. The accounting authority was notified of the material irregularity on 24 August 2020 and the following actions have been taken to resolve the material irregularity:

- As per letter dated 25 May 2021, the entity reviewed all the vouchers and concluded that no payment was made to the contractor, although the contractor still had a right to claim the amount as approved in the variation order.
- The entity engaged the service provider to waive the claim and to avoid any future financial losses. On 25 August 2021 the contractor wrote to the entity to confirm the

withdrawal of the claim and confirming that in future the contractor will not institute any claims concerning the approved variation order(claim).

- On 31 August 2021 RAL acknowledged the withdrawal of the claim for amounts charged by the contractor.

44. Corrective action was taken, the financial loss has been prevented and the material irregularity is resolved.

Other Reports

45. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

46. The Special Investigation Unit (SIU) is currently investigating matters pertaining to supply chain management as well as project-related expenditure that arose from 01 January 2009 to 20 April 2018. The outcome of the investigation was not yet available at the time of the report.

47. BDO SA is currently investigating matters pertaining to supply chain management. The outcome of the investigation was not yet available at the time of the report.

Auditor – General

Polokwane
01 September 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

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

Financial Statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

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

Communication with those Charged with Governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Bridge Dongolo River Road R572 Musina - Mapungubwe

7. Directors' Report

The Board of Directors of the Road Agency Limpopo (SOC) Ltd has pleasure in presenting the annual report on the activities of the entity for the financial year ended 31 March 2021.

Review of Activities

1. Main Activities and Operations

The Roads Agency Limpopo (SOC) Ltd was established, in terms of the Limpopo Province Roads Agency Proprietary Limited and Provincial Roads Act 7 of 1998, as amended, for the purpose of constructing, maintaining and rehabilitating the Provincial road infrastructure, on behalf of the Limpopo Provincial Government. The entity is a State-Owned Company registered as such in terms of the Companies Act 71 of 2008 and is listed as a Provincial Public Entity in schedule 3C of the Public Finance Management Act 1 of 1999, as amended.

The Member of Executive Council responsible for Public Works, Roads and Infrastructure, Hon. N.D. Masemola, is the Executive Authority of the Agency. The Roads Agency Limpopo (SOC) Ltd is receive its revenue from the Department of Public Works, Roads and Infrastructure.

During the financial year being reported on, RAL managed to raise an amount of R70 million in additional funding from strategic partnerships forged with private and public sector partners for the purpose of implementing road infrastructure projects.

2. Going Concern

The audited annual financial statements have been prepared on the basis of that the Agency will continue to operate the business as a going concern. The Board of Directors is of the opinion that the Roads Agency Limpopo (SOC) Ltd has adequate resources to continue with operations in the next financial year and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent Events

The Board of Directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that requires further disclosure in the annual financial statements.

4. Directors' Interest in Contracts

There were no material contracts in which the directors have an interest which were concluded and entered into during the financial period under review.

5. Governance Compliance

5.1. General

The Board of Directors retains full control of the strategic planning and direction of the Agency and acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management, performance monitoring and evaluation, transparency and effective communication both internally and externally. The Board of Directors is a unitary structure currently comprising of nine (9) Board Members, six (6) of whom are independent non-executive Board Members, and three (3) *ex officio* board members, being the Chief Executive Officer, the Board Member nominated to represent the Limpopo Provincial Treasury and the Board Member nominated to represent the Limpopo Department of Public Works, Roads and Infrastructure in terms of section 12(3)(a) and 12(3)(aB), respectively, of the Limpopo Province Roads Agency Proprietary Limited and Provincial Roads Act 7 of 1998, as amended in their official capacities.

The Board of Directors is committed to applying all codified and customary corporate governance imperatives, as well as mandatory provisions of statutes, in order to ensure its responsible corporate citizenship.

In addition to the establishing statute of RAL, the shareholder concluded, as it does on an annual basis, a Shareholders' Compact with the Agency, outlining all the deliverables expected to be achieved by the Agency for the year under review. Furthermore, RAL executed all its pre-determined strategic objectives, as enshrined in the Five-Year Strategic Plan and Annual Performance Plan.

5.2. Chairperson and Chief Executive Officer

The Board of Directors held quarterly meetings, as required for the purpose of considering and approving statutory quarterly submissions, and executed its collective fiduciary duties, in line with the PFMA, Companies Act and the establishing Act of RAL. The Board of Directors, under the leadership of the Chairperson, created a conducive environment for maintaining and exercising continuous oversight of organisational effectiveness and efficiency and Board performance and effectiveness. The Chairperson is an independent non-executive director, and the roles of the Chairperson and the Chief Executive Officer are separate. The Board performs its functions jointly, as a collective, and no single individual Director has absolute and unfettered powers of discretion.

The Chief Executive Officer managed the business operations of the Agency on a day-to-day basis and ensured that the strategy and Annual Performance Plan approved by the Board were executed optimally.

5.3. Audit and Risk Committee

During the financial period under review, the Audit and Risk Committee was constituted, by three (3) independent non—executive members for the first ten months of the financial year, and by four (4) members for the remaining two months of the financial year. The Committee held eleven (11) meetings during the financial period under review for the purpose of conducting its ordinary business and for any other functions expected to be performed within the scope of the Committee.

6. Internal Control Systems and Procedures

To meet its responsibility with respect to providing reliable financial information, the Roads Agency Limpopo (SOC) Ltd maintains effective and efficient financial and operational internal control systems. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with the prescribed laws and regulations and in conformity with the mandate of the shareholder. The controls also ensure that the assets are adequately safeguarded against material loss, damage or unauthorised acquisition, use, or disposal and those transactions are properly authorised and recorded. The Audit and Risk Committee, and the Board held all their scheduled meetings for the year. All documents that were tabled for approval have been so approved by the Board of Directors and implemented by the management team. No material deficiencies in the internal controls over financial reporting were identified by the Internal Audit unit.

7. Risk Management

The Audit and Risk Committee, on behalf of the Board, ensured that integrated risk management was upheld and that the risk appetite of the Agency is managed by addressing all imminent root causes and putting in place effective treatment plans for the mitigation of risks.

8. Commitments, Contingencies, and Legal Proceedings

All commitments of the Roads Agency Limpopo (SOC) Ltd are reflected in the statement of financial position.

The Agency had several pending legal proceedings during the year under review that remain *sub judice*.

9. Fruitless and Wasteful and Irregular Expenditure

Details of all transactions that were tantamount to fruitless and wasteful expenditure, as well as those that compounded irregular expenditure are set out in the notes to the Financial Statements.

10. Directors

The directors of the entity during the year and to the date of this report are as follows:

- **Mr. M.S. Ralebipi** Chairperson of the Board of Directors
- **Ms. W.N.G. Moleko** Independent Non-Executive Director
- **Ms. T.M. Ramabulana** Independent Non-Executive Director
- **Mr. M.P.K. Tshivhase** Independent Non-Executive Director (Resigned on 1 February 2021)
- **Ms. M. Mokoka** Independent Non-Executive Director (Appointed on 2 February 2021)
- **Adv. K.B. Morota** Independent Non-Executive Director (Appointed on 2 February 2021)
- **Ms. S.R. Mushwana** Independent Non-Executive Director (Appointed on 2 February 2021)
- **Mr. J.M. Phukuntsi** *Ex Officio* Director representing the Limpopo Provincial Treasury (Appointed on 1 June 2020)
- **Mr. L.P. Makape** *Ex Officio* Director representing the shareholder Department of RAL, Limpopo Department of Public Works, Roads and Infrastructure (Appointed on 1 June 2020 and resigned on 1 February 2021)
- **Ms. N.A Moloisi** *Ex Officio* Director representing the shareholder Department of RAL, Limpopo Department of Public Works, Roads and Infrastructure (Appointed on 2 February 2021)
- **Mr. S.W. Sathekge** *Ex Officio* Director representing the shareholder, Limpopo Department of Public Works, Roads and Infrastructure (Resigned on 31 May 2020).
- **Mr. G.M. Maluleke** *Ex Officio* Director in his capacity as Chief Executive Officer of RAL

11. Company Secretary

Ms. Tebogo C. Kekana was the Company Secretary of RAL during the year under review.

12. Human Resources

The Roads Agency Limpopo (SOC) Ltd maintains a positive ethical work climate that is conducive to attracting, retaining and motivating a diverse group of quality employees at all levels of operations to encourage team spirit and personal commitment.

PART G

FINANCIAL STATEMENTS

1. Statement of Financial Position as at 31 March 2021

Figures in Rand Thousand	Note(s)	2021	2020
Assets			
Current Assets			
Inventories	6	313	222
Receivables from exchange transactions	7	2,713	2,250
Receivables from non-exchange transactions	8	15,083	-
Cash and cash equivalents	9	94,313	147,580
		112,422	**150,052**
Non-Current Assets			
Property, plant and equipment	2	18,291,580	19,462,325
Intangible assets	3	3	89
Other financial assets	5	2,670	2,670
		18,294,253	**19,465,084**
Total Assets		**18,406,675**	**19,615,136**
Liabilities			
Current Liabilities			
Retentions	4	7,681	21,447
Payables from exchange transactions	12	147,267	191,021
Payables from non-exchange transactions	13	1,659	1,963
Provisions	11	31,425	-
		188,032	**214,431**
Non-Current Liabilities			
Retentions	4	59,791	38,414
Total Liabilities		**247,823**	**252,845**
Net Assets		**18,158,852**	**19,362,291**
Share capital / contributed capital	10	1	1
Accumulated surplus		18,158,850	19,362,289
Total Net Assets		**18,158,851**	**19,362,290**

2. Statement of Financial Performance

Figures in Rand Thousand	Note(s)	2021	2020
Revenue			
Revenue from Exchange Transactions			
Other income	17	986	1,185
Interest income	18	2,344	2,278
Total revenue from Exchange Transactions		**3,330**	**3,463**
Revenue from Non-exchange Transactions			
Transfer Revenue			
Government grants and subsidies	19	892,196	1,293,589
Contributions by other entities	20	230	26,789
Total revenue from Non-exchange tTransactions		**892,426**	**1,320,378**
Total revenue	14	**895,756**	**1,323,841**
Expenditure			
Employee related costs	21	(78,341)	(80,149)
Depreciation and amortisation	22	(1,863,481)	(2,007,169)
Impairment loss	23	(23,499)	(121,668)
Contractors expenses	15	(31,425)	-
Interest and penalties	24	-	(9)
Repairs and maintenance	16	(55,753)	(30,251)
Provision for bad debts	25	(253)	(319)
Derecognition of roads and bridges	27	-	(33,354)
General expenses	26	(43,113)	(46,233)
Total expenditure		**(2,095,865)**	**(2,319,152)**
Deficit for the year		**(1,200,109)**	**(995,311)**

3. Statement of Changes in Net Assets

Figures in Rand Thousand	Note(s) / Share Capital / Contributed Capital	2021 / Accumulated Surplus	2020 / Total Net Assets
Opening balance as previously reported	1	20,358,326	20,358,327
Adjustments			
Prior year adjustments	-	2,604	2,604
Balance at 01 April 2019 as restated*	**-**	**20,360,930**	**20,360,930**
Changes in net assets			
Transfer of own revenue	-	(3,330)	(3,330)
Net losses recognised directly in net assets	-	(3,330)	(3,330)
Deficit for the year	-	(995,311)	(995,311)
Total recognised income and expenses for the year	-	(998,641)	(998,641)
Total changes	-	(998,641)	(998,641)
Balance at 01 April 2020	**-**	**19,362,289**	**19,362,289**
Changes in net assets			
Transfer of own revenue	-	(3,330)	(3,330)
Net losses recognised directly in net assets	-	(3,330)	(3,330)
Deficit for the year	-	(1,200,109)	(1,200,109)
Total recognised income and expenses for the year	-	(1,203,439)	(1,203,439)
Total changes	-	(1,203,439)	(1,203,439)
Balance at 31 March 2021	**1**	**18,158,850**	**18,158,852**

Transfer - own revenue, relates to revenue generated during year (transferred and transferable) to LDPWRI.

4. Cash Flow Statement

Figures in Rand Thousand	Note(s)	2021	2020
Cash Flows from Operating Activities			
Receipts			
Grants		877,113	1,293,589
Interest income		2,296	2,386
Other receipts		701	930
		880,110	1,296,905
Payments			
Employee costs		(78,138)	(79,882)
Goods and services		(48,280)	(40,062)
Interest and penalties		-	(9)
Repairs and maintenance		(55,523)	(29,099)
Other payments		(3,634)	(3,400)
		(185,575)	(152,452)
Net Cash Flows from Operating Activities	29	**694,535**	**1,144,453**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	2	(747,802)	(1,166,605)
Deposit paid on borrow pit		-	(120)
Net cash flows from investing activities		**(747,802)**	**(1,166,725)**
Cash Flows from Financing Activities			
Finance lease payments		-	(221)
Net Increase/(Decrease) in Cash and Cash Equivalents		**(53,267)**	**(22,493)**
Cash and cash equivalents at the beginning of the year		147,580	170,073
Cash and Cash Equivalents at the End of the Year	9	**94,313**	**147,580**

5. Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand Thousand	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from Exchange Tansactions						
Other income - (rollup)	1,377	(525)	**852**	986	**134**	#1
Interest received - investment	2,863	(951)	**1,912**	2,344	**432**	#2
Total revenue from Exchange Transactions	**4,240**	**(1,476)**	**2,764**	**3,330**	**566**	
Revenue from Non-exchange Transactions						
Transfer Revenue						
Government grants and subsidies	1,478,676	(112,642)	**1,366,034**	892,196	**(473,838)**	#3
Contributions by other entities	-	-	**-**	230	**230**	#4
Total Revenue from Non-exchange Transactions	**1,478,676**	**(112,642)**	**1,366,034**	**892,426**	**(473,608)**	
Total Revenue	**1,482,916**	**(114,118)**	**1,368,798**	**895,756**	**(473,042)**	
Expenditure						
Personnel	(100,037)	20,023	**(80,014)**	(78,341)	**1,673**	
Depreciation	-	-	**-**	(1,857,186)	**(1,857,186)**	#5
Impairment loss/ Reversal of impairments	-	-	**-**	(23,499)	**(23,499)**	
Finance costs and penalties	(10)	4	**(6)**	-	**6**	
Repairs and Maintenance	(635,051)	59,282	**(575,769)**	(55,753)	**520,016**	#6
Bad debts	-	-	**-**	(253)	**(253)**	
Contractors expenses	-	-	**-**	(31,425)	**(31,425)**	#7

Figures in Rand Thousand	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	Reference
General Expenses	(70,135)	25,651	**(44,484)**	(43,113)	**1,371**	
Property, plant and equipment	(673,422)	7,661	**(665,761)**	(716,148)	**(50,387)**	#8
Total Expenditure	**(1,478,655)**	**112,621**	**(1,366,034)**	**(2,805,718)**	**(1,439,684)**	
Surplus/(Deficit) for the year	**4,261**	**(1,497)**	**2,764**	**(1,909,962)**	**(1,912,726)**	
	4,261	**(1,497)**	**2,764**	**(1,909,962)**	**(1,912,726)**	

Budget on Cash Basis

Figures in Rand Thousand	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	Reference

Comments and Variance Analysis

#1: Other Income: Applications received for road access exceeded expectations.

#2. Interest Income: Exceeded budget due to higher interest on positive bank balance at beginning of the year. The entity could not spend this fund due to Covid 19 Lockdown.

#3. Government Grant: Under-expenditure on conditional grant was caused by delays in appointment of service providers for maintenance and disaster projects.

#4. Contributions by Other Entities: The entity did not budget for the revenue from private partnership due to greater uncertainty of the estimates of the amounts. .

#5. Depreciation: The entity does not budget for non-cash items, hence no budget for depreciation and impairment.

#6. Repairs and Maintenance: The underspending is due to delays in appointment of service provider for structural assessment of the building.

#7. Contractors Expenses: Project expenses relates to amounts claimed by the contractors for standing time caused by the COVID 19 pandemic. This was not budgeted for as it was unexpected.

#8. Property, Plant and Equipment: The overspending of property, plant and equipment is due to over-commitment on upgrading projects from the previous financial years.

The overall initial budget of R1 478 676 was reduced to R1 366 034 during the Provincial mid-year budget review.

1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

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

1.1 Presentation Currency

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

1.2 Going Concern Assumption

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

1.3 Significant Judgements and Sources of Estimation Uncertainty

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

Trade Receivables

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Allowance for Slow Moving, Damaged and Obsolete Stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included under expenses in the statement of financial performance.

Impairment of Non-cash-generating Assets

The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity then estimates the recoverable service amount of the non-cash-generating asset. The recoverable service amount of non-cash-generating assets has been determined as the higher of value-in-use and fair value less cost to sell. These calculations require the use of estimates and assumptions.

The excess of the carrying amounts over the recoverable service amount is recognised as impairment loss in the statement of financial performance.

Provisions and Contingencies

Management's judgement is required when recognising and measuring provisions as well as contingent liabilities and contingent assets. Provisions are raised based on the information available to management, and past knowledge. A provision is recognised when the entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Allowance for Doubtful Debts

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

Useful lives of Property, Plant and Equipment

The entity's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on industry norms. The industry norm is adjusted for entity-specific considerations. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Budget Information

The entity deems a 10% deviation on operational revenue and expenditure and a 5% or more for capital expenditure between budget and actual amounts to be material. These percentages are based on management's estimate and is considered to be appropriate. All material differences are explained in the notes to the annual financial statements.

1.4 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 entity; and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

1.4 Property, Plant and Equipment (continued)

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

Item	Depreciation Method	Average Useful Life
Land	Straight line	Infinite
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	12 years
Motor vehicles	Straight line	10 years
Office equipment	Straight line	8 years
IT equipment	Straight line	5 to 6 years
Roads Beds	Straight line	40 years
Pavement Layers	Straight line	20 years
Bridges	Straight line	50 years
Unpaved Layers	Straight line	6 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 2).

1.5 Intangible Assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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.

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

Item	Useful Life
Computer software	3 years
Website design	3 years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Financial Instruments

Financial instruments are recognised on the statement of financial position when the entity becomes party to the contractual provisions of the instrument. Financial instruments include cash and bank balances, receivables and trade payables. These financial instruments are generally carried at their estimated fair value, which is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Financial Assets

The entity's main financial instruments are cash at bank and cash on hand, trade receivables and other receivables.

Financial Liabilities

The entity's main financial liabilities are trade and other payables.

Initial Recognition and Measurement

Financial instruments are initially recognised using the trade date accounting method. The entity classifies the financial instruments on their component parts on initial recognition in accordance with the substance of the contractual arrangement.

Financial instruments are initially measured at fair value costs when the entity is a party to contractual arrangement. Subsequent to initial recognition these instruments are measured as set out below.

Trade and other Payables

Trade and other payable are stated at their nominal value. The carrying amount of these payables approximates fair value due to the short period to maturity of these instruments.

Cash and Cash Equivalents

Cash and cash equivalents are measured at fair value. The carrying amount approximates fair value due to the short period to maturity. Cash and cash equivalents comprise cash at bank and cash on hand.

Trade and Other Receivables

Trade and other receivables are stated at the nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The carrying amount of these receivables approximate fair value due to the short period to maturity of these instruments. Trade and other receivables from exchange transactions are disclosed separately from trade and other receivables from non-exchange transactions. Trade and other receivables in exchange for which the entity gives approximately equal value to another entity are recognised as trade and other receivables from exchange transactions.

Trade and receivables received without directly giving approximately equal value in exchange are recognised as trade and other receivables from non-exchange transactions.

Gains and Losses

Gains and losses arising from a change in the fair value of financial instruments are included in net surplus or deficit in the period in which they arise.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment of Financial Assets

At the end of the reporting period the entity assesses all financial assets, other than those at fair value, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised as a reduction to the surplus. Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in the surplus.

Derecognition of Financial Instruments

A financial asset is derecognised when:

- the right to receive cash flows from the asset has expired;
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without delay to a third party under a "pass through" arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control thereof.

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

Financial Risk Management

In running its operations the organisation is exposed to interest rate, liquidity, credit and market risks. RAL has developed a comprehensive risk management process which monitors and controls the impact of such risks on the organisation's daily operations. The risk management process relating to each of these risks is discussed under the headings below.

Credit Risk and Market Risk

Credit risk consists mainly of accounts receivable and cash and cash equivalents. This is the risk of the entity being exposed to counter party failures. Although this risk is unlikely to occur in the short term, it is mitigated as follows:

- Cash and short-term deposits are placed with well established financial institutions of high quality and credit standing and also approved by National Treasury;
- Transactions are entered into with reputable financial institutions which are approved by National Treasury;
- Funds are invested in short-term facilities; and
- The organisation does not raise debtors in its ordinary course of business.

Credit risk with respect to accounts receivable is limited due to the nature of the entity's business and its reliance on government grant as the main source of funding.

Market risk is the risk that the value of an investment will decrease due to changes in market factors. The above stated mitigating factors apply to market risk as well.

1.6 Financial Instruments (continued)

Interest Rate Risk Management

This is the risk that adverse changes in interest rates will have a negative impact on the net income of the entity. The inherent interest rate risk is concentrated in short term investments and deposits which are highly liquid. This risk is managed by:

- transacting with well established financial institutions of high quality credit standing and the accounts bearing;
- interest at prevailing market rates; and
- the entity does not hold significant finance leases with fluctuating interest rates.

Liquidity Risk

This is the risk that the entity may encounter difficulties in raising funds to meet its statutory commitments. This is managed by cash flow planning and management.

Fair Value

The entity's financial instruments consist mainly of cash and cash equivalents, receivables and trade payables. No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets. The carrying amounts of financial assets and liabilities approximate their fair values due to their short-term maturity period.

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.

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial Measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent Measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.7 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.

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.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for distribution at no charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.9 Impairment of Non-cash-generating Assets

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

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

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

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

Value in use of a non-cash generating asset is the present value of the asset's remaining service potential. The entity uses the service units approach to determine value in use.

1.10 Share Capital / Contributed Capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.11 Employee Benefits

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

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.

A constructive obligation is an obligation that derives from an entity's actions where by 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 recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (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 measure 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 recognise 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

1.12 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.

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.

Contingent assets and contingent liabilities are not recognised.

1.13 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Revenue from Exchange Transactions

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

An exchange transaction is one in which the entity 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.

1.14 Revenue from Exchange Transactions (continued)

Measurement

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

Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Revenue from Non-exchange Transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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.

Measurement

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

Government Grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other Grants and Donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Trade and Other Receivables

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

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

1.16 Trade and other Payables

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

1.17 Borrowing Costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as expense in the statement of financial performance in the period incurred

1.18 Comparative Figures

Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.19 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.

1.20 Irregular Expenditure

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

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end 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 National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned.

If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.21 Budget Information

Entity is subject to budgetary limits in the form of appropriations or budget authorizations, which is given effect through appropriation.

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

The approved budget is prepared on a accrual basis and presented by economic classification.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.22 Related Parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.23 Standards and Interpretations Issued but not yet Effective

The following guidelines were issued during the year but not yet effective:

Accounting for Landfill Sites

Compliance with the Guideline is not required but entities may consider it in formulating an accounting policy.

The Application of Materiality to Financial Statements

The Guideline is not authoritative but entities are encouraged to consider it when preparing financial statements.

Figures in Rand Thousand

2. Property, Plant and Equipment

	2021			2020		
	Cost / Valuation	**Accumulated Depreciation**	**Carrying Value**	**Cost / Valuation**	**Accumulated Depreciation**	**Carrying Value**
Land	3,700	-	3,700	3,700	-	3,700
Buildings	81,065	(32,075)	48,990	81,065	(30,536)	50,529
Furniture and fixtures	5,583	(3,460)	2,123	5,522	(3,197)	2,325
Motor vehicles	1,368	(394)	974	645	(274)	371
Office equipment	2,579	(1,557)	1,022	2,579	(1,402)	1,177
IT equipment	10,470	(7,337)	3,133	9,997	(6,635)	3,362
Roads and Bridges	44,925,888	(28,470,427)	16,455,461	44,182,045	(26,621,609)	17,560,436
Roads and Bridges under construction	1,776,177	-	1,776,177	1,840,425	-	1,840,425
Total	**46,806,830**	**(28,515,250)**	**18,291,580**	**46,125,978**	**(26,663,653)**	**19,462,325**

Reconciliation of Property, Plant and Equipment - 2021

	Opening Balance	**Additions**	**Transfers**	**Depreciation**	**Impairment Loss**	**Total**
Land	3,700	-	-	-	-	3,700
Buildings	50,529	-	-	(1,539)	-	48,990
Furniture and fixtures	2,325	61	-	(263)	-	2,123
Motor vehicles	371	724	-	(121)	-	974
Office equipment	1,177	-	-	(155)	-	1,022
IT equipment	3,362	473	-	(702)	-	3,133
Roads and Bridges	17,560,436	771,240	-	(1,860,614)	(15,601)	16,455,461
Roads and Bridges under construction	1,840,425	714,890	(771,241)	-	(7,897)	1,776,177
	19,462,325	**1,487,388**	**(771,241)**	**(1,863,394)**	**(23,498)**	**18,291,580**

Figures in Rand Thousand

Reconciliation of Property, Plant and Equipment - 2020

	Opening Balance	Additions	Transfers	Write off	Depreciation	Impairment Loss	Total
Land	3,700	-	-	-	-	-	3,700
Buildings	52,064	-	-	-	(1,535)	-	50,529
Furniture and fixtures	2,560	24	-	-	(259)	-	2,325
Motor vehicles	427	-	-	-	(56)	-	371
Office equipment	1,284	43	-	-	(150)	-	1,177
IT equipment	3,962	43	-	-	(643)	-	3,362
Roads and Bridges	18,334,664	1,351,813	-	-	(2,004,374)	(121,667)	17,560,436
Roads and Bridges under construction	2,289,700	875,809	(1,291,730)	(33,354)	-	-	1,840,425
	20,688,361	**2,227,732**	**(1,291,730)**	**(33,354)**	**(2,007,017)**	**(121,667)**	**19,462,325**

Roads and Bridges Under Construction

Included in the Roads and Bridges under construction is a total of 8 (2020: 2) projects with a carrying amount of R975 763 000 (2020: R 100 900 000) that are taking a significantly longer period of time to complete than expected. The delays were caused by over-commitment by the entity which resulted in late payments of the service providers, prolonging the duration of projects. In addition, 2 (2020: 3) projects with a total carrying amount of R319 171 000 (2020: R357 408 000) were halted at some stage during their construction due to poor performance by the contractors. Impairment loss of R5 547 000 (2020:0) has been recognised for these projects.

Figures in Rand Thousand

3. Intangible Assets

	2021			2020		
	Cost / Valuation	**Accumulated Depreciation**	**Carrying Value**	**Cost / Valuation**	**Accumulated Depreciation**	**Carrying Value**
Computer software	1,814	(1,811)	3	1,814	(1,725)	89
Website design	1,661	(1,661)	-	1,661	(1,661)	-
Total	**3,475**	**(3,472)**	**3**	**3,475**	**(3,386)**	**89**

Reconciliation of Intangible Assets - 2021

	Opening Balance	**Amortisation**	**Total**
Computer software	89	(86)	3

Reconciliation of Intangible Assets - 2020

	Opening Balance	**Amortisation**	
Computer software	238	(149)	89

Figures in Rand Thousand	2021	2020

4. Retentions

Infrastructure Projects

Retentions	67,472	59,861
Non-current liabilities	59,791	38,414
Current liabilities	7,681	21,447
	67,472	**59,861**

5. Other Financial Assets

Returnable Rehabilitation Deposit	2,670	2,670

Other receivables relates to refundable deposits made to the Department of Minerals Resources for rehabilitation of borrow pits used for entity's projects

6. Inventories

Consumable stores	313	222

Details of Inventory

Inventory consists of consumables such as office stationery, cleaning materials and grocery items. Inventory recognised as an expense and included in general expenses amounted to R145 338 (2020: R466 962)

Figures in Rand Thousand	2021	2020

7. Receivables from Exchange Transactions

Trade debtors	1,262	976
Prepayments	385	456
Students and staff bursaries	2,153	1,700
Provision for doubtful debts	(1,187)	(934)
Accrual interest	100	52
	2,713	**2,250**

Trade and Other Receivables Impaired

The ageing of the receivables impaired is as follows:

Over 3 months	1,187	934

Reconciliation of Provision for Impairment of Trade and Other Receivables

Opening balance	934	615
Provision for impairment	253	319
	1,187	**934**

Figures in Rand Thousand	2021	2020

8. Receivables from Non-exchange Transactions

Government grants and subsidies	15,083	-

Statutory Receivables Included in Receivables from Non-exchange Transactions above are as follows:

Final appropriation	1,366,034	1,293,589
Actual funds received	(877,133)	(1,293,589)
Funds not received	(473,818)	-
	15,083	**-**

Total Receivables from Non-exchange Transactions	15,083	-

Statutory Receivables General Information

Transaction(s) Arising from Statute

Government grants arise in terms of the applicable annual Division of Revenue Act Bill as well as the relevant Provincial Gazette.

Determination of Transaction Amount

The government grant receivables of R15 083 000 (2020: R0) relates to Provincial Roads Maintenance grant due from LDPWRI. A total PRMG grant of R41 331 000 was received from LDPWRI, and R56 414 000 was spent, leaving R15 083 000 receivable.

Basis used to assess and test whether a statutory receivable is impaired

The entity evaluates the recoverability of each grant receivable in accordance with the legislative provisions or contractual arrangements related to the specific grant. No impairment was raised on the government grant receivable, full balance is expected to be fully recoverable.

Figures in Rand Thousand	2021	2020

9. Cash and Cash Equivalents

Cash and Cash Equivalents consist of:

Cash on hand	-	1
Bank balances	94,313	147,579
	94,313	**147,580**

10. Share Capital / Contributed Capital

Authorised		
100 Ordinary shares of R1 each	1	1

Reconciliation of Number of Shares Issued:		
Issue of shares – ordinary shares	1	1

11. Provisions

Reconciliation of Provisions - 2021

	Opening Balance	Additions	Total
Standing time claims due to COVID	-	31,425	31,425

The provision relates to amounts claimed by the contractors for standing time caused by the COVID 19 pandemic. In terms of a contract entered into with the contractors, this is regarded as "force majeure", meaning an event beyond the control of the supplier. RAL is therefore contractually obligated to compensate the contractors for standing time. RAL is still reviewing the claims and will only know the final claim amount after the end of the year.

Figures in Rand Thousand	2021	2020

12. Payables from Exchange Transactions

Trade payables	121,612	89,372
Payables - Partnerships	19,038	92,046
13th Cheque	1,002	981
Employee accruals	4,722	3,597
Accrued expense	652	4,784
Other payables	241	241
	147,267	**191,021**

Aging of Trade Payables

Current (0-30 days)	116,120	84,787
31-60 days	-	4,489
61-90 days	720	-
Over 90 days	4,772	96
	121,612	**89,372**

13. Payables from Non-exchange Transactions

Other payables own revenue - LDPWRI	1,659	1,963

Figures in Rand Thousand	2021	2020

14. Revenue

Other income	986	1,185
Interest received	2,344	2,278
Government grants and subsidies	892,196	1,293,589
Contributions by other entities	230	26,789
	895,756	**1,323,841**

The amount included in revenue arising from exchanges of goods or servicesare as follows:

Other income	986	1,185
Interest received	2,344	2,278
	3,330	**3,463**

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

Transfer Revenue

Government grants and subsidies	892,196	1,293,589
Contributions by other entities	230	26,789
	892,426	**1,320,378**

Figures in Rand Thousand	2021	2020

15. Contractors' Expenses

Contractors expenses	31,425	-

Contractors expenses relates to amounts claimed by the contractors for standing time caused by the COVID 19 pandemic. RAL is still reviewing the claims and will only know the final claim amount after the end of the year. The expense is raised as provision in note 10 above.

16. Repairs and Maintenance

	2021	2020
Land and Building		
Repairs and maintenance	461	802
Motor Vehicles		
Repairs and maintenance	4	-
Furniture and Fittings		
Repairs and maintenance	-	350
Project Expenses		
Repairs and maintenance	55,288	29,099
	55,753	**30,251**

Figures in Rand Thousand	2021	2020

17. Other Income

Application fees	544	510
Rental billboards	348	418
Sundry income	2	146
Tender documents	-	19
Sundry income - Penalties	-	8
Rental of Aerial Space	92	84
	986	**1,185**

18. Interest Income

Interest Revenue

Bank	2,244	2,220
Interest charged on trade and other receivables	100	58
	2,344	**2,278**

19. Government Grants and Subsidies

Operating Grants

Government grant - Administration	122,018	127,573
Government grant - Infrastructure projects	770,178	1,166,016
	892,196	**1,293,589**

20. Contributions by Other Entities

Private sector contributions	230	26,789

Figures in Rand Thousand	2021	2020

21. Employee Related Costs

Basic	48,775	48,589
Bonus	-	6,420
Medical aid - company contributions	733	762
UIF	149	151
Leave pay provision charge	1,438	348
Travel and housing allowances	18,297	17,744
Other allowances	260	238
Post retirement benefit plan -defined contribution	6,138	5,897
Employee settlements	2,551	-
	78,341	**80,149**

22. Depreciation and Amortisation

Property, Plant and Equipment	1,863,395	2,007,020
Intangible Assets	86	149
	1,863,481	**2,007,169**

23. Impairment Loss

Impairments

Property, plant and equipment	23,499	121,668

Figures in Rand Thousand	2021	2020

24. Interest and Penalties

Finance leases	-	9

25. Provision for Bad Debts

Contributions to debt impairment provision	253	319

26. General Expenses

Marketing and public relations	7,277	4,922
Assessment rates and municipal charges	1,460	1,377
Auditors fees and expenses	3,839	3,900
Bank charges	42	46
Cleaning	328	20
Computer expenses	9	33
Consulting and professional fees	8,086	12,281
Consumables	268	223
Insurance	532	508
Conferences and seminars	416	619
IT expenses	2	-
Magazines, books and periodicals	2	114
Motor vehicle expenses	12	18
Accommodation	537	783
Fuel and oil	10	17
Postage and courier	5	21
Printing and stationery	345	212
Security	1,617	1,310

26. General Expenses (continued)

Figures in Rand Thousand	2021	2020
Subscriptions and membership fees	200	230
Telephone and fax	1,748	1,632
Training	50	668
Subsistence and travel	2,993	4,528
Uniforms	-	443
Licenses	778	1,457
Catering expenses	16	96
Rentals	74	61
Legal expenses	9,477	7,583
Bursaries	705	582
Court settlements	1,295	1,203
Directors remunerations	827	825
Recruitment costs	163	521
	43,113	**46,233**

27. Derecognition of Roads and Bridges

Derecognition of roads and bridges	-	33,354

28. Auditors' Fees and Expenses

Fees and expenses	3,839	3,900

Figures in Rand Thousand	2021	2020

29. Cash Generated from Operations

Deficit	(1,200,109)	(995,311)
Adjustments for:		
Depreciation and amortisation	1,863,481	2,007,169
Impairment loss	23,499	121,668
Debt impairment	253	319
Movements in provisions	31,425	-
Roads and bridges constructed by other entities	-	(26,789)
Transfer of own revenue	(3,634)	(3,330)
Derecognition of roads and bridges	-	33,354
Changes in working capital:		
Inventories	(91)	(49)
Receivables from exchange transactions	(715)	427
Receivables from non-exchange transactions	(15,083)	-
Payables from exchange transactions	(4,491)	6,995
	694,535	**1,144,453**

30. Commitments

Authorised Capital Expenditure

Already contracted for but not provided for

• Roads Construction	545,390	1,055,631
• Roads Maintenance and Rehabilitation	315,110	5,589
• Roads Asset Management System	117,597	-
	978,097	**1,061,220**

30. Commitments (continued)

Figures in Rand Thousand	2021	2020
Total Capital Commitments		
Already contracted for but not provided for	978,097	1,061,220
Authorised operational expenditure		
Already contracted for but not provided for		
• Property, Plant and Equipment	468	351
• Other commitments	29,814	35,875
	30,282	**36,226**
Total Operational Commitments		
Already contracted for but not provided for	30,282	36,226
Total Commitments		
Authorised capital expenditure	978,097	1,061,220
Authorised operational expenditure	30,282	36,226
	1,008,379	**1,097,446**

The commitment expenditure relates to road construction and maintenance as well as administration related assets and expenditure and will be financed through available bank balance and government grant.

30. Commitments (continued)

Figures in Rand Thousand	2021	2020
Operating Leases - as Lessee (Expense)		
Minimum Lease Payments Due		
- within one year	-	61
Rental Expenses Relating to Operating Leases		
Minimum lease payments	-	61

31. Contingent Liabilities

31.1 Contingent Liabilities

The entity is currently engaged in litigation which could result in damages/costs being awarded against it if claimants are successful in their actions. The following are the description of the claims, amounts claimed and estimated settlement amounts:

Motor Vehicle Accidents

Various motor vehicle owners claim to have sustained injuries and their vehicles damaged due to the condition of the road, failure to put road sign in place or collapsed road structures on the roads belonging to the entity . The total value of these claims and the estimated settlement amounts as at 31 March 2021 is R45.064 million (2020: R38.407 million) and R44.748 million (2020: R31.091 million) respectively.

Employment Contracts

Two former employees of the entity have instituted a lawsuit against the entity for defamation of character which threatens their future employability and repudiation of employment contract respectively. The value of the claims and the estimated settlement amount at 31 March 2021 is R46.486 million (2020: R37.000 million) and R14.486 million (2020: R5.000 million) respectively. An amount of R1.879 million has been paid into the attorney's trust account as security for the amount claimed.

Property Infringement

The entity received total claims of R26.470 million (2020: R26.470 million) for excavation of land on the private property, for the construction of road, and for construction of road over a property owned by the claimant. The total estimated settlement amount at 31 March 2021 is R25.470 million (2020: R25.751 million).

31. Contingent Liabilities (continued)

Figures in Rand Thousand	2021	2020

Construction Contracts

Legal claims for non-payment of invoices for road construction work performed and compensation for the contract alleged unlawfully termination of the contract by the entity. The claims amount to R55.754 million (2020: R56.824 million) while total settlements at 31 March 2021 are estimated at R54.121 million (2020: R35.657 million).

Other Contingent Liabilities

Two firms of attorneys initiated claims against the entity for the work they have alleged to have rendered to the entity. The entity is disputing the payments for the invoices due to the exorbitance of the amount and lack of proof of instruction to render the legal services to the entity. The other matter is for the payment of a fine instituted by the Department of Labour. The total value of these claims and the estimated settlement amounts at 31 March 2021 is R2.092 million (2020: R2.092 million) and R2.092 million (2020: R2.092 million) respectively.

Contingent Assets

Construction Contracts

The entity has instituted legal proceedings against the contractor and engineers responsible for the project RAL/C547/2014 after it was noted that there were flaws in the design and construction of the road. RAL claims an amount of R64.907 million (2020: R64.907 million) from contractors and engineers in order to correct the defects.

32. Related Parties

Relationships

Directors	Refer to directors' report note
Ultimate controlling entity	Department of Public Works, Roads and Infrastructure
Shareholder with significant influence	MEC of LDPWRI
Members of key management	Refer to note on Executive Management

32. Related Parties (continued)

Figures in Rand Thousand	2021	2020
Related Party Balances		
Amounts included in Receivables (payables) from Non-exchange Transactions regarding Related Pparties		
Limpopo Department of Public Works, Roads and Infrastructure	15,083	-
Limpopo Department of Public Works, Roads and Infrastructure	(1,659)	(1,963)
Related Party Transactions		
Transfer of Own Revenue		
Limpopo Department of Public Works, Roads and Infrastructure	3,330	3,330
Government Grant Received		
Limpopo Department of Public Works, Roads and Infrastructure	892,196	1,293,589

Remuneration of Directors and Management

Executive Management

2021

Name	Basic salary	Travel and housing allowance	Medical and pension contribution	Total
K Tulsi (GM: Planning)	1,149	593	172	1,914
M Ramaboea (GM: Operations)	1,189	601	190	1,980
H Magopa (CFO)	1,221	617	195	2,033
J Boshielo (Executive: Corporate Services)	1,317	514	194	2,025
S Gamakulu (Executive: Monitoring)	1,149	581	184	1,914
K Maphutha (Snr Manager: Risk and Compliance)	890	343	135	1,368

32. Related Parties (continued)

Figures in Rand Thousand

T Kekana (Company Secretary)	1,074	417	161	1,652
	7,989	**3,666**	**1,231**	**12,886**

2020

Name	Basic Salary	Travel and Housing Allowance	Medical and Pension Contribution	Productivity hcentive	Total
K Tulsi (GM: Planning)	1,160	584	170	186	2,100
M Ramaboea (GM: Operations)	1,200	592	187	192	2,171
H Magopa (CFO)	1,233	609	192	159	2,193
J Boshielo (Executive: Corporate Services)	1,327	507	191	196	2,221
S Gamakulu (Executive: Monitoring)	1,160	572	182	186	2,100
K Maphutha (Snr Manager: Risk and Compliance)	903	333	132	129	1,497
T Kekana (Company Secretary)	1,082	410	158	160	1,810
	8,065	**3,607**	**1,212**	**1,208**	**14,092**

Figures in Rand Thousand	2021	2020

33. Directors' Emoluments

Non-Executive Directors

2021

	Emoluments	Total
M.S Ralebipi (Chairperson)	140	140
W.N.G Moleko (Board Member)	111	111
M.P.K Tshivhase (Board Member)	63	63
T.M Ramabulana (Board Member)	106	106
K.B Marota (Board Member) - Appointed 2 February 2021	17	17
S.R Mushwana (Board Member) - Appointed 2 February 2021	15	15
	452	**452**

2020

	Emoluments	Total
M.S Ralebipi (Chairperson)	109	109
W.N.G Moleko (Board Member)	83	83
M.P.K Tshivhase (Board Member)	61	61
T.M Ramabulana (Board Member)	76	76
	329	**329**

Executive Director

2021

	Basic salary	Total
G.M Maluleke (CEO)	3,202	3,202

33. Directors' Emoluments (continued)

Figures in Rand Thousand	2021	2020

2020

	Basic salary	Total
G.M Maluleke (CEO) - Appointed 1 January 2020	2,694	2,694

Audit and Risk Committee Members

2021

	Emoluments	Total
M Mokoka (Chairperson)	160	160
Z Samsam (Member)	112	112
T Boltman (Member)	65	65
B Mutheiwana (Member) - Appointed 1 February 2021	17	17
N Skeepers (Member) - Appointed 2 February 2021	17	17
	371	**371**

2020

M Mokoka (Chairperson)	207	207
Z Samsam (Member)	196	196
T Boltman (Member)	12	12
	415	**415**

Figures in Rand Thousand

34. Prior Period Errors

Comparative figures have been restated to correct the prior period errors set out below.

The entity had not reviewed the remaining useful life of some non-infrastructure assets in previous years as required by the accounting standard. The review was conducted during the current financial year. This prior period error has been corrected by restating the comparative amounts.

In the previous years, retentions were included under payables from exchange transactions. In the current year, retentions are disclosed separately in the statement of financial position and split into current and non-current liabilities. The non-current portion of retentions are for running projects while current ones are for completed projects and will be released within 12 months period.

The entity had capitalised non-qualifying expenditure on the infrastructure assets in the previous years, this was identified and corrected in the current year by restating prior period figures.

The effects of the correction of the prior year errors are as follows:

Statement of Financial Position - Extract

	Comparative Figures Previously Reported	Reclassification/ Remeasurement	After Reclassification
Property, plant and equipment	19,464,865	(2,540)	19,462,325
Accumulated surplus	(19,364,830)	2,540	(19,362,290)
Retentions -current	(59,861)	38,414	(21,447)
Retention - non-current	-	(38,414)	(38,414)
Total	**40,174**	**-**	**40,174**

34. Prior Period Errors (continued)

Figures in Rand Thousand

Statement of Financial Performance - Extract

	Comparative Figures Previously Reported	Reclassification	After Reclassification
Depreciation and amortisation	(2,005,238)	(1,931)	(2,007,169)
Derecognition of roads and bridges	(30,140)	(3,214)	(33,354)
Total	**(2,035,378)**	**(5,145)**	**(2,040,523)**

Figures in Rand Thousand	2021	2020

35. 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 through the compilation and monitoring of cash flow forecasts, as well as ensuring that a satisfactory level of cash and cash equivalents are maintained.

Cash flow forecasts are prepared and commitments monitored.

The table below analyses the entity's financial liabilities and relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Credit Risk

Credit risk consists mainly of cash deposits, cash equivalents 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.

Financial assets exposed to credit risk at year end were as follows:

Financial Instrument	2021	2020
Receivables from exchange transactions	2,713	2,250
Non-current receivables	2,670	2,670
Cash and cash equivalents	94,313	147,580

Market Risk

35. Risk Management (continued)

Figures in Rand Thousand	2021	2020

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market price

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.

Financial assets exposed to interest rate risk at year end were as follows:

	2021	2020
Receivables from exchange transactions	2 713	2 250
Cash and cash equivalents	94 313	147 580

Liquidity Risk Table

2021	Not later than one month	Later than one month	Due in one to two years	Due in two to three years	Due in three to four years	Total
Payables from exchange transactions	122 264	25,003	-	-	-	147 267
Payables from non-exchange transactions	-	1,659	-	-	-	1 659
Retentions	-	7,681	59 791	-	-	67 472
Provisions	-	31 425	-	-	-	31 425

35. Risk Management (continued)

Figures in Rand Thousand					2021	2020
2020	**Not later than one month**	**Later than one month**	**Due in one to two years**	**Due in two to three years**	**Due in three to four years**	**Total**
Payables from exchange transactions	191 021	-	-	-	-	191 021
Payables from non-exchange transactions	1 963	-	-	-	-	1 963
Retentions	-	21,447	38,414	-	-	59 861

36. 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.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the entity continues to receive grants from LDPWRI. The entity has already received preliminary allocation for MTEF and the allocation will enable the entity to continue as a going concern.

37. Fruitless and Wasteful Expenditure

Opening balance as previously reported	11,860	11,858
Correction of prior period error	-	2
Opening Balance as Restated	**11,860**	**11,860**
Add: Expenditure identified - current	-	1
Less: Amounts recovered - prior period	-	(1)
Closing Balance	**11,860**	**11,860**

Figures in Rand Thousand

38. Irregular Expenditure

	2021	2020
Opening Balance	4,029,248	3,127,251
Opening Balance as Restated	**4,029,248**	**3,127,251**
Add: Irregular Expenditure - Current	733,574	901,997
Closing Balance	**4,762,822**	**4,029,248**

Incidents/Cases Identified in the Current Year Include those Listed Below:

The following incidents of irregular expenditure are under investigation. Goods and services relating to irregular expenditure transactions have been received.

	2021	2020
SCM process not followed	502,753	311,153
SCM supporting documents not available	1,559	10,150
Projects not budgeted for per Vote 9 table B5	229,262	534,667
Payments made on expired service level agreements	-	46,027
	733,574	**901,997**

Notes

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IT'S HERE...

NEW RAL LOGO

RAL ROADS AGENCY LIMPOPO TOGETHER FOR BETTER ROADS

2020
Company
Second Logo
Adopted

ROADS AGENCY
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