



ROADS AGENCY
LIMPOPO
TOGETHER FOR BETTER ROADS

2021/22 ANNUAL REPORT

WE CONNECT
LIMPOPO





ROADS AGENCY
LIMPOPO
TOGETHER FOR BETTER ROADS

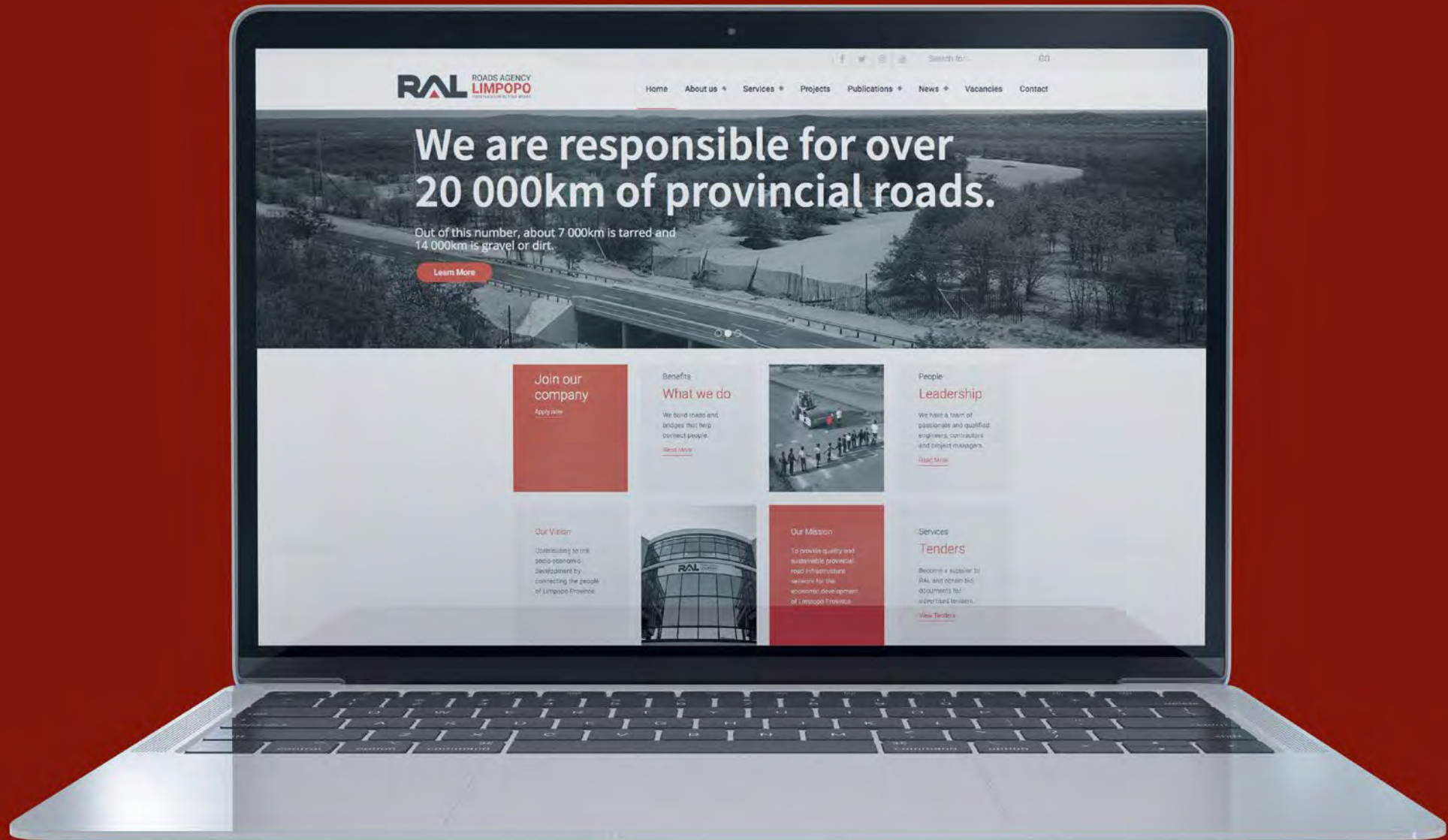


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D4166 - Ga-Riba road project
Sekhukhune District Municipality.



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. Marota
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
B-BBEE	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 2021 to 31 March 2022 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



Hon. Nkakareng Rakgoale

MEC: Department of Public Works, Roads and Infrastructure

Roads Agency Limpopo (RAL) continues to play a significant role in terms of Limpopo Province's economic development needs. The post Covid 19 economic recovery of our province is dependent on the key sectors such as agriculture, tourism and mining. Roads will continue to play a catalytic role in the recovery and growth in these sectors. Our government continues, with the limited resources at our disposal, to address the backlog in the maintenance and upgrades of roads in our province to ensure mobility of our people within and outside of the province. In our efforts to improve our roads infrastructure, we will continue to engage our private sector partners to form partnerships in delivering the much-needed road infrastructure in our province.

In the year 2021/2022, we have seen Roads Agency Limpopo undertaking major maintenance and upgrading road projects in the five districts of Limpopo.

These projects continue to improve access and enhance movement in our predominantly rural province of Limpopo. It is our endeavor that all the districts of Limpopo be serviced equitably depending on their respective challenges. We will endeavor to put more resources to those with major and dire situation.

We are all aware that the over 20 000km of provincial road network requires our department, RAL and all of us to work together to create a balance between maintaining the existing roads and building the new ones. Our responsibility as the Department is to continue to support the Agency, given its mammoth task and challenge to reduce the 14 000km of untarred or dirt roads. If we are to make a serious dent in resolving this challenge, our collective effort and support, are required.

Through RAL's road infrastructure projects, we continue to empower the Small, Medium and Micro Enterprises (SMMEs), and local labourers wherever the Agency undertakes an upgrading and maintenance projects. In terms of all upgrading projects, 30% of the total project value is set aside for the empowerment of SMMEs and 10% for the empowerment of local labourers on all maintenance projects.

For the year, 2021/2022, the Agency has spent R106 687 211 for the empowerment of SMMEs on upgrading projects, R538 977 000 on maintenance and R28 767 789.47 for local labourers. We also want to commend the Agency for the continued efforts in empowering the youth, women and people living with disability through their road projects. Our responsibility to improve the lives of the people of Limpopo will not be realised without making these government imperatives a reality.

Let me, in conclusion, thank the men and women (staff) of RAL for their commitment and determination in supporting the efforts of government. Our work will not be achievable without their determination. Once more, thank you.

Nkakareng Rakgoale

MEC: Department of Public Works, Roads and Infrastructure



D999 - Reconstruction of Flood Damaged
Bridge 6115: Vhembe District Municipality.

5. STATEMENT By the Board Chairperson



Mr Matome Ralebipi

Chairperson: RAL | Board of Directors

The financial year 2021/2022 has gone by as one of the memorable periods during which the Agency resolved a number of road infrastructure related challenges. These are challenges that would, under normal circumstances, have impacted negatively on our efforts to provide the much needed infrastructure to the people of Limpopo.

We, as the Board of RAL, are delighted that despite all the challenges experienced, the Agency's management has been able to maintain the unqualified audit opinion once again. It was, however, the wish of the Board to have the Agency improving its audit opinion to a clean status.

Our continued support and oversight to the Agency continue to provide guidance towards management of RAL to resolve all audit related challenges. Once more, we have made it clear to management that all matters raised during the year under review, must be resolved immediately.

With more than 20 000 km of Limpopo's provincial roads, we believe that it is important for all stakeholders to join hands towards improving our roads. The Board of Directors

has made an undertaking to work with all the role players to ensure that the work of providing the road infrastructure services to the residents of Limpopo progresses without any hindrances. We have for 2021/2022, extended our strategic partnership assistance to municipalities. Several agreements have been signed with a number of municipalities in an attempt to provide assistance where there is dire need. One such example is the intervention in the Mogalakwena Local Municipality (Mokopane town and nearby areas) where the roads were in a dire state owing to multiple challenges. This intervention did not end in Mogalakwena, as other eight municipalities also showed interest which led to the signing of a MoA to strengthen inter-governmental cooperation.

The financial year 2021/22 has also seen the Agency participating in 2022 International Mining Indaba held in Cape Town. RAL's participation in the mining indaba was informed by the need to form more partnerships with mining and other related companies that can help co-fund Limpopo's road infrastructure. With limited funding from the fiscal, RAL adopted this strategic partnership with the private sector in order to build and maintain Limpopo's road network. So far, the partnership has progressed well and has generated substantial funding for Limpopo's road infrastructure.

We are proud that during the year under review, the Agency successfully focused on maintaining the existing roads in an effort to preserve their lifespan while ensuring the successful completion of some of the multi year projects and new upgrading ones.

The visit by the Head of State, President Cyril Ramaphosa on the eve of the 2022 SONA to see the good work that the Agency is doing has really humbled us. During his visit, the President further expressed his delight at the way our roads are constructed in Limpopo as well as the number of job opportunities created in the surrounding communities. This is something that should motivate RAL management and other stakeholders that indeed we are on the right track with the mission at hand. It is these kind of endorsements that give us courage to continue to work together with our communities to improve Limpopo's roads.

As the Board, we continue to be inspired by the support we get from the Limpopo government and RAL's shareholder representative, Honourable MEC for Public Works, Roads and Infrastructure, Mme Nkakareng Rakgoale, who continues to provide political leadership for the work done by RAL. Without this valuable support, the responsibility to build and maintain roads would not be realised. It is the continued engagement and cooperation amongst the MEC, RAL Board and management that will guarantee success.

Once again, well done to RAL's management and the hard-working staff for your endless efforts in building and maintaining Limpopo provincial roads.



Matome Ralebipi

Chairperson: RAL Board Of Directors

6. OVERVIEW By the Chief Executive Officer



Mr Gabriel Maluleke
Chief Executive Officer

Roads continue to play a critical role in economic development and growth of our province of Limpopo. The economic recovery, post Covid 19 pandemic, will be dependent on the roll out of infrastructure across the country, particularly road infrastructure in our province of Limpopo. The social benefits of improving the quality of life of our people in the province remain important as we roll out our plans for the improvement of the road infrastructure.

In accordance with the requirements of the RAL Act no. 7 of 1998 and the Public Finance Management Act (PFMA) no. 1 of 1999 as amended, we hereby present the Annual Report of the Roads Agency Limpopo (RAL) which includes the audited annual financial statements and performance information for the year ending 31 March 2022. It is with great honour on behalf of all of us, the employees of RAL together with the

Board that we submit this annual report to the Limpopo Legislature, through our executive authority the MEC for Public Works, Roads and Infrastructure: Honourable Ms N.C. Rakgoale.

This annual report presents the outputs that were in accordance with the pre-determined objectives that are contained in the Annual Performance Plan of 2021/22 as approved by the Board of RAL and tabled in the Limpopo Legislature by the MEC for Public Works, Roads and Infrastructure. This annual report also presents the organisational performance

of RAL during the second year of the 5 year strategic plan for the period 2020/21-2024/25. It is also presented during the second year of the 6th administration of the Limpopo Province.

INFRASTRUCTURE DELIVERY

Our rural communities need a good and well maintained road infrastructure to be connected to the economic mainstream. The key industries of agriculture, mining and tourism in our province are dependent on the availability of well designed and maintained road infrastructure. During the year under review, the entity embarked on an a ramped-up programme of maintaining and rehabilitating our existing tarred roads which have been affected by the elements over the past few years. The recent floods have also contributed to the rapid deterioration of some of our roads. Our resolve to continue to build and maintain our roads has been strengthened during the year under review

During the year 2021/22 financial year, a total of 57,5 km was upgraded from gravel to tar. We have also spent a total of R538m on maintenance of roads. A total of 515 890sqm of surface roads were rehabilitated and a total of 349 076sqm of surfaced roads were resurfaced during the year under review. We continue to work with communities where we implement our projects to grow Small, Medium and Micro-Enterprises (SMMEs) and by employing local labour. In the process, 327 full time equivalent jobs were created at the cost of R28m. Communities in the areas where we implement projects continue to benefit through skills development programmes. During the year under review, we were able to train 595 local employees in various programmes such as road maintenance, entrepreneurship, construction, bookkeeping, etc. We have also spent a total of R106m on local SMME's.

OUR PEOPLE

Delivery of a viable road infrastructure is also dependent on a well resourced entity in terms of human capital. We continue to support our employees in terms of training and study assistance to ensure that they are equipped to deliver on the mandate of RAL. After the lifting of the moratorium on filling of vacancies, we have since embarked on a recruitment drive to fill vacancies in the much needed critical areas such as engineering and finance.

The entity also had a new intake of interns in all areas of operations such as engineering, human resources management, finance, supply chain, legal, risk management, etc. The programme is not only intended to create a skills pipeline for RAL alone, but to benefit the province and the country at large.

On behalf of the management of RAL, I would like to express my appreciation to all the employees who continue to deliver their best amid all the challenges. Our success could not have been achieved without their valued contribution.

MANAGING OUR FINANCIAL RESOURCES

RAL has once more achieved an unqualified audit opinion. We continue to strive to strengthen the internal controls and work towards attainment of a clean audit.

The entity reviews its materiality framework on an annual basis to provide reasonable assurance against material losses and misstatements on the annual financial statements. We continue to do our best to ensure that our internal controls comply with the PFMA, the Enterprise Risk Management Framework, as well as the Treasury regulations.

The Auditor General has raised certain findings relating to the annual financial statements and performance information. We take note of that, and we will be developing plans to ensure that these matters are adequately addressed in the coming year. The results of the full performance report are included in this annual report.

The management of RAL wishes to thank the Auditor General for providing a professional and quality external service. We take note of the findings and comments and undertake to implement plans to address these findings.

OUR STRATEGIC PARTNERS

We wish to extend our gratitude to our external strategic partners in the private sector who continued to place their trust in the capability of RAL by committing their funds in joint projects. These contributions go a long way in alleviating the current financial constraints faced by the entity.

OUR STAKEHOLDERS

We also extend our utmost gratitude to our most important stakeholders, the people of Limpopo for their patience and understanding as we address the mammoth task of road infrastructure in our province. We look forward to continuing meaningful engagements as we continue to look for solutions to address the extensive backlog in the road infrastructure.

Our gratitude also goes to our Provincial Government, the Department of Public Works, Roads and Infrastructure and the Provincial Treasury for the support, guidance and commitment for the success of RAL.

6. OVERVIEW By the Chief Executive Officer (continued)

On behalf of the management of RAL, we wish to thank the members of the RAL Board for their oversight role over this past financial year. We also thank members of the Audit and Risk Committee for exercising their fiduciary roles with utmost care and diligence.

The management of RAL also wishes to thank the Executive Authority, the MEC for Public Works, Roads and Infrastructure for consideration of this report and the Portfolio Committee for Public Works, Roads and Infrastructure for guidance over the past year.

Thank you,

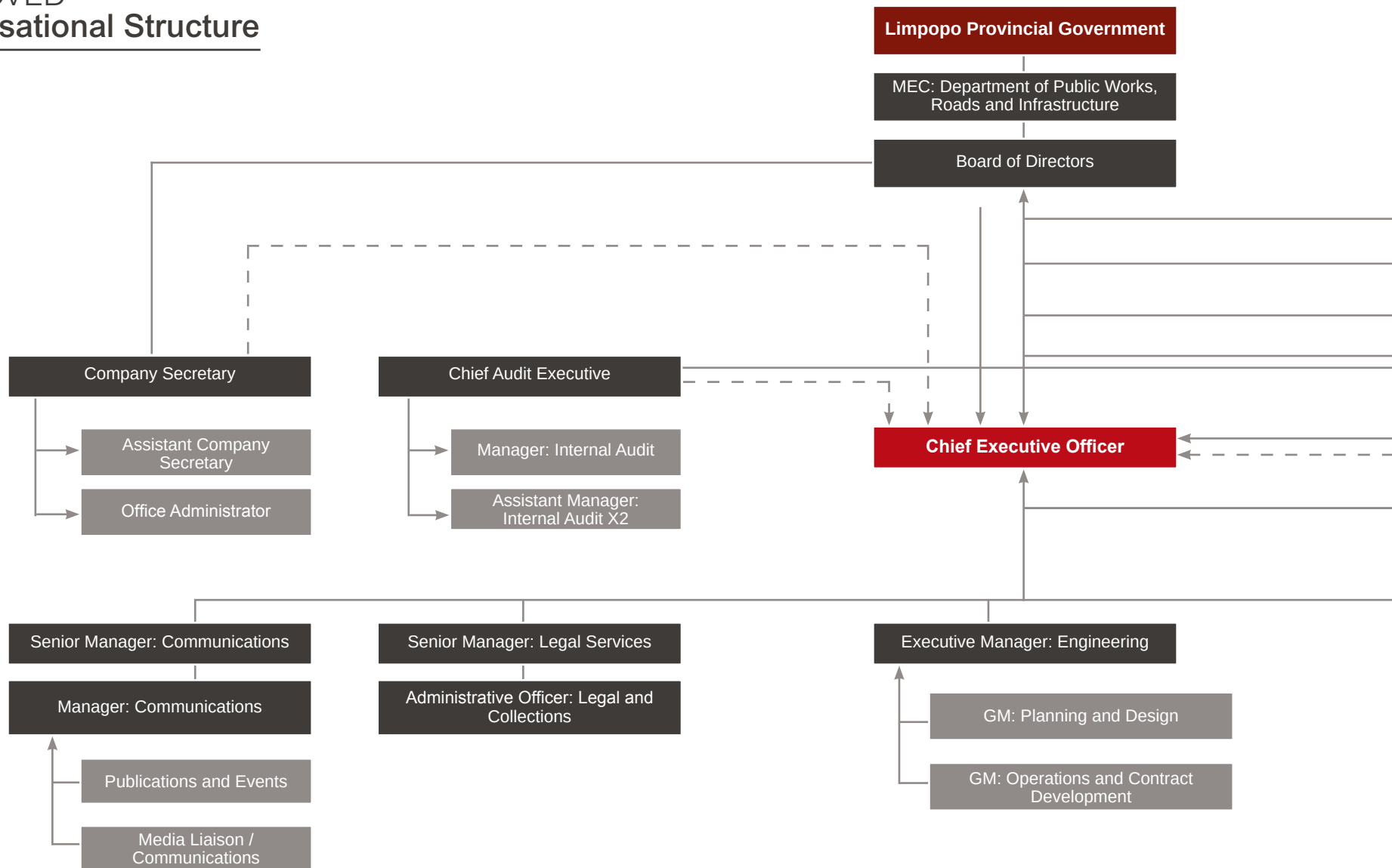


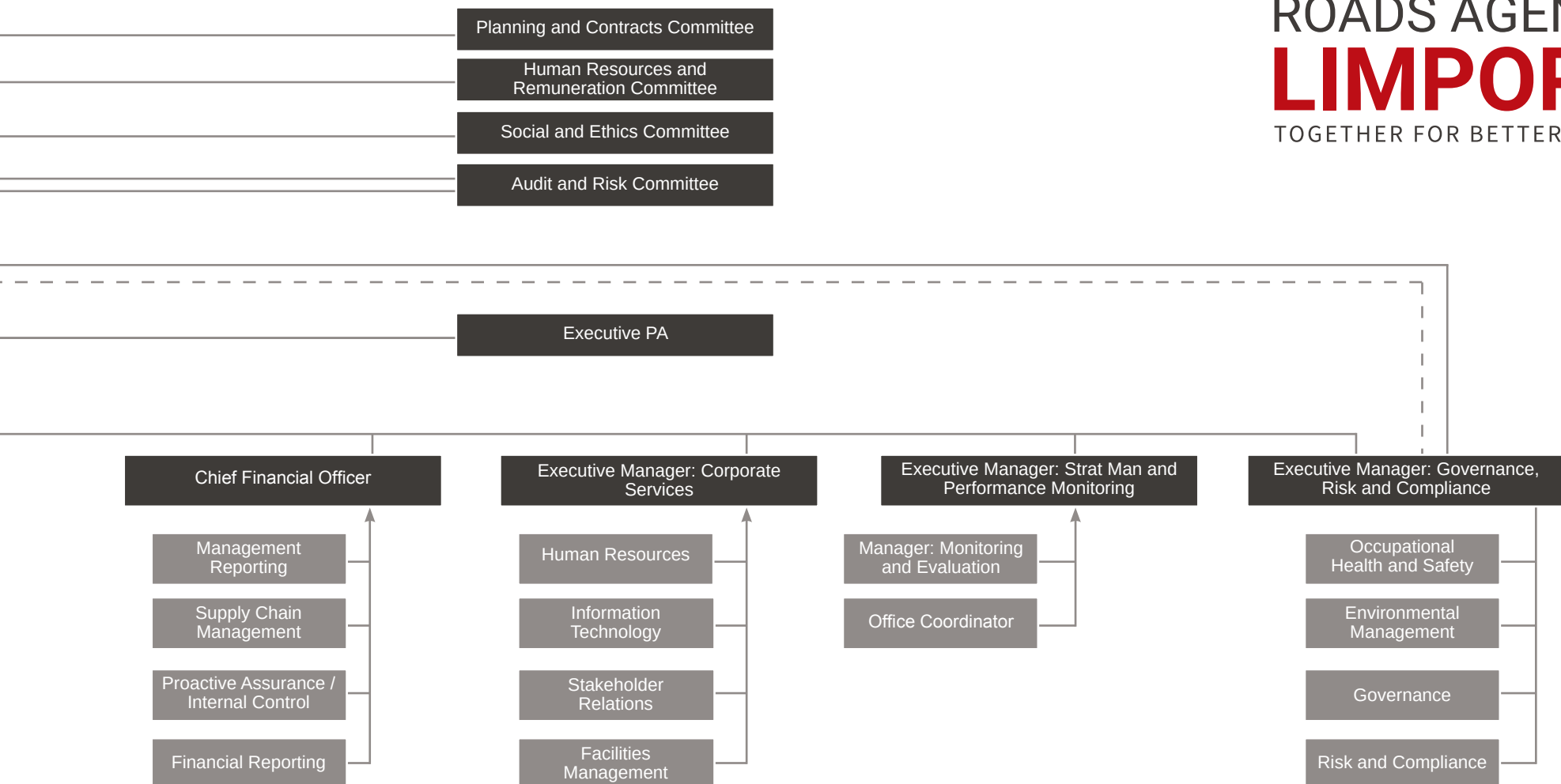
Gabriel Maluleke
Chief Executive Officer



RAL CEO Mr Gabriel Maluleke leads on road rehabilitation and pothole patching in some parts of Mahwelereng and Mokopan within the Mogalakweha Local Municipality.

7. APPROVED Organisational Structure





8. RAL SHAREHOLDER and Board of Directors



Hon. Nkakareng Rakgoale

MEC: Department of Public Works,
Roads and Infrastructure

The Shareholder, Honourable Nkakareng Rakgoale, 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 Rakgoale has full control of RAL, in her 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. Marota

Independent Non-Executive Director



Mr M. Phukuntsi

Board Member



Ms N.A. Moloisi

Ex Officio Director

S'hamba Sonke Presidential Oversight visit.





D999 - Reconstruction of Flood Damaged
Bridge 6115: Vhembe District Municipality.



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 1998. RAL has a duty to provide an accessible, reliable, and safe provincial road network.

The 2021/22 financial year marked the second year of the five-year Medium-Term Strategic Framework period ending in 2024-2025.

During the financial year under review, the province, the country, and the entire family of humanity globally were battling the impact of the COVID-19 pandemic. A pandemic that impacted upon and disrupted economies, government plans and fiscal health along with various aspects of government's work and the people's lives and livelihoods.

As a government entity delivering critical road infrastructure services to the people of Limpopo, RAL has faced many impediments which were forced upon the entity by the emergence of Covid-19. We had to adjust our way of doing business to the current inevitable developments so that the people of Limpopo and those involved in implementing our projects are not exposed. The significant role played by RAL in providing quality and sustainable provincial road infrastructure for the economic development of Limpopo Province cannot be over emphasised.

The 2021/22 financial year roadmap was launched at a time when the demand for paved roads in the province was and is still extremely high. RAL is responsible for a road network of 20 091 km, 68,3% of which is unpaved. The Department of Public Works, Roads and Infrastructure (DPWRI) is inundated with demands for roads to be upgraded from gravel to tar. The condition of the existing tarred roads is also deteriorating because of insufficient investment in road maintenance over the past ten years. The pressures of demands for tarred roads led to the focus being diverted from maintenance. The result of this is the roads that currently require extensive rehabilitation.

1.2 Key Policy Developments and Legislative Changes

The following significant changes attributed to the institution's legislative and other mandates in the 2021/2022 financial year:

POPIA – The Protection of Personal Information Act 4 of 2013 “POPIA”, which came into effect 1 July 2021, regulates the processing of personal information. POPIA gives effect to the constitutional right to privacy and aims to protect the personal information of both natural and juristic persons, whilst striking a balance between the rights to privacy, access to, and the free flow of information. RAL is committed to ensuring that all information is processed in a responsible manner that does not unjustifiably infringe on the privacy of any person. RAL will process and protect personal information, as is required by POPIA, whilst still upholding the provisions of the Promotion of Access to Information Act and the Promotion of Administrative Justice Act.

The draft Preferential Procurement Policy Framework Act: Regulations, 2022, which if promulgated, will have the effect of rescinding the Regulations of 2017, which sought to provide a policy for preferential treatment for organs of state when procuring goods and services.

The Constitutional Court judgment in the case of the Minister of Finance vs Aribusiness NPC (2022) ZACC 4, which was handed down on 16 February 2022, to grant the Minister leave to appeal the Supreme Court judgment to declare the provisions of the Regulations of 2017 invalid. Since RAL enters into numerous procurement transactions for goods and services, this judgment has impacted RAL considerably. The National Treasury has, after the judgement, issued communication to organs of state informing them to hold in abeyance all procurement transaction tenders (advertised after 16 February 2022) for goods and services pending the outcome of the Constitutional Court appeal. Furthermore, no new tenders must be advertised unless exemption is granted by the Minister of Finance. The Procurement Plan of RAL is directly linked to the Annual Performance Plan and may result in under-expenditure and failure to achieve planned targets.



2. PERFORMANCE Information

2.1 Legislative and Regulatory Performance Reporting Framework

The purpose of this report is to apprise the Shareholder and oversight institutions about the 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 2021/22 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 2021 to 31 March 2022, a total of **26** targets were set. Out of these targets, **16** targets were achieved, and **10** targets were not achieved.

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 Strategic 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 for 2020.21 FY.	Not achieved: Unqualified Audit Opinion for 2020.21 FY. 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 will develop and implement the audit improvement strategy that focus on root cause analysis and closely monitor the implementation of the AGSA action plan.	None, Operational Task
1.5	% of AGSA reported weaknesses rectified	100 %	76%	Not achieved: Due to delays in the finalisation of Road Asset Management System (RAMS) project, organisational design, and running projects whose findings can only be resolved after their completion.	None	None

2. PERFORMANCE Information Outcome 1: Sub-Programme Financial Management (continued)

1.6	% of budget spent on infrastructure	100% of the infrastructure budget spent	71%	Not achieved: There were delays in the establishment of panels for service providers (contractors and consultants).	In future, delays of this nature will be mitigated by the fact that contractors and service providers will be procured from the existing panel of service providers.	None, Operational Task
Sub-Programme: Supply Chain Management						
No.	Output Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
1.7	Percentage of eligible suppliers paid within 30 days	100%	96,19%	Not achieved: There were invoices which were in dispute which could not be paid on time until resolved.	These were once off delays that were specific to those circumstances and never happened again. In subsequent quarters, invoices from eligible suppliers were paid within 30 days.	None, Operational Task
Sub-Programme: Office of the CEO						
1.8	Amount secured from private sector partners	R120 000 000	R3 200 000	Not achieved: Memorandum of Agreements (MoAs) discussions with mining and agriculture sectors have taken more time to finalise than anticipated.	RAL Management will continue to negotiate with Private Sector Partners requesting them to contribute to Provincial roads infrastructure.	None, Operational Task
Sub-Programme: Human Resources						
1.9	Number of employees trained	43	70	Over - achieved: Requests for training increased in Q3 and Q4 due to management encouraging employees to prioritise training.	None	None, Operational Task

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-Programme: 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-Programme: Construction and Operations						
2.4	Number of square metres (m ²) of surfaced roads rehabilitated	455 463	515 890	Over - achieved: More work was fast-tracked during October and November 2021.	None	None, Operational Task
2.5	Number of square metres (m ²) of surfaced roads resurfaced	303 642	349 076,74	Over - achieved: More work was fast-tracked during January and February 2022.	None	None, Operational Task

2. PERFORMANCE Information Outcome 2: Construction and Operations (continued)

2.6	Number of kilometres of gravel roads upgraded	107	57,55	Not achieved: Various projects contributed to the non-achievement of the target for various reasons: Project T652: Upgrading of a road from Makuya to Masisi: 6km not completed. The first contractor was terminated due to slow progress. After a new contractor was appointed, there were delays that were caused by community members demanding to be taken in as SMMEs and labourers. RAL and the contractor had previously presented to the Project Steering Committee the labour and SMMEs recruitment plan which was going to be implemented throughout the project life cycle. These new demands by the community created an impasse between the contractor and the community and as a result, the contractor was not allowed to work until December 2021 when law enforcement agencies were called to intervene. Project T814B: Upgrading of road from Haberstspoort to Kiti.: 13,7km not completed. Contractor terminated due to poor performance. The project was initially planned to be completed in February 2018. However, the first contractor went through financial difficulties and ceded the remaining works to another contractor. The new contractor took site in October 2020 and was given 8 months to complete the works. In April 2021, the new contractor started to encounter financial problems.	Project T652: The situation was eventually resolved, and the community have now accepted the contractor's recruitment plan. Unfortunately, the contractor lost 3 months production time and therefore could not achieve the 6.0km planned output. Project T814B: A new contractor will be appointed to complete the project after following the due process.	None, Operational Task
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2. PERFORMANCE Information Outcome 2: Construction and Operations (continued)

				Rand stopped paying the Labourers and SMME's. It was later established by RAL that the contractor works and pays the Labourers and SMME's only when RAL pays him, which showed that the contractor had no cashflow to execute the works. After numerous unsuccessful engagements with the contractor to rectify the situation, the contract was terminated on mutual agreement in November 2021 Project T866: Upgrading of a road from R37 (Makgakala to Makgate – D4180) & R37 to intersection with D4180 & D4220 & R37 and (Manyaka to end).: 16,80 km not done. Delays due to interruptions by SMMEs demanding to be paid on the day that they have submitted their invoices to the Contractor. RAL's payment policy as per the contract is 30 days after the invoice has been authenticated, and the Contractor applied the same conditions to the SMME's, which they declined to accept.	Project T866: RAL, after consultation with the Local Municipality and office of the MEC, decided to involve SAPS to assist in calming the situation down. The approach proved to be effective and ever since, the Contractor was able to work uninterrupted. The new completion date is August 2022.	
2.7	Number of bridges completed	3	2	Not achieved: Project T641B: Upgrading of road from Settlers to Witlaagte. The project scope included an upgrading of 15.8 km and construction of 1 bridge and a major culvert. 95% of the road upgrade has been completed. The bridge and culvert structures were also planned to be completed at the same time as the road upgrade on 31 March 2022. However, extensive rains from December 2021 in the Bela-Bela area significantly slowed down the construction of the bridges.	Project T641B: The current progress on the bridges is 75%. It is expected that the bridge and culvert structures will be completed at the end June 2022.	None, Operational Task

2. PERFORMANCE Information (continued)

Sub-Programme: Stakeholders Management						
No.	Output Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
2.8	Number of reports on stakeholders' engagements conducted	4	4	Achieved	None	None, Operational Task
Outcome 3: Economically empowered host communities by 2024.						
Sub-Programme: Job Creation, Empowerment, and Training						
3.1	Number of Full-Time Equivalent (FTE) jobs created	807	327,10	Not achieved: This was mainly caused by delays in site establishments of contractors on the preventative maintenance projects for 2021/22 FY. Projects were awarded in November 2021 and site establishment was in February 2022.	Preventative maintenance projects are currently underway and social indicator targets will be achieved in Q1 and Q2 of 2022/23 FY.	None, Operational Task
3.2	Amount (Rands) spent on employing labour	66 423 050	28 767 789,47			
3.3	Amount paid to SMMEs Contractors and Sub-Contractors	168 494 600	106 687 211			
3.4	Number of jobs created	703	1 010	Over - achieved: These are task-based activities and contractors engaged more labourers than planned.	None	None, Operational Task
3.5	Number of youths (18-35) employed	492	512	Over - achieved: These are task-based activities and contractors engaged more youths than planned.	None	None, Operational Task
3.6	Number of women employed	422	424	Over - achieved: These are task-based activities and contractors engaged more women than planned.	None	None, Operational Task
3.7	Number of people with disabilities employed	15	17	Over - achieved: There were more people with disabilities who were employed on active projects.	None	None, Operational Task
3.8	Number of SMMEs contracted	337	341	Over - achieved: Contractors engaged more SMMEs on maintenance and flood damage projects.	None	None, Operational Task

Outcome 4: Skilled and enterprising local labour by 2024.**Sub-Programme: Job Creation, Empowerment, and Training**

No.	Output Indicator	Annual Target	Annual Output	Reasons for Variance	Planned Interventions	Expenditure per Target
4.1	Number of local workers trained	562	595	Over - achieved: More trainings were successfully conducted in Q3.	None	None, Operational Task

ANNUAL PERFORMANCE REPORT INFORMATION: 01 April 2021 to 31 March 2022**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 2021/22,
- Was verified by the Chief Executive Officer and found reliable, accurate, complete, and valid.



Gabriel Maluleke
Chief Executive Officer



Matome Ralebipi
RAL Board Chairperson



P85/2 - Settlers to Tuinplaas road rehabilitation:
Waterberg District Municipality.



PART C

GOVERNANCE, RISK AND COMPLIANCE MANAGEMENT

1. PERFORMANCE Information

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 authorised 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.

2. 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	02/02/2021	N/A	1. BCom Accounting 2. Higher Diploma in Computer Accounting 3. CRISC 4. Certificate in Strategic Leadership	• Finance & Auditing	Roads Agency Limpopo	Nominations Committee	6 Board Meetings 1 Annual General Meeting 1 Strategic Planning Meeting
Ms W.N.G. Moleko	Independent Director	02/02/2021	N/A	1. BA Education 2. BA (Hons) 3. MA 4. M Education 5. Post grad 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 & Remunerations Committee 2. Nominations Committee 3. Planning and Contracts Committee	4 Board Meetings 6 Planning and Contracts Committee Meetings 5 REMCO Meetings 1 Annual General Meeting 1 Strategic Planning Meeting

2. COMPOSITION of the Board (continued)

Ms T. M. Ramabulana	Independent Director	02/02/2021	N/A	1. B.A. (Social Science) 2. Cert. Marketing 3. Dip. Personnel & 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	6 Board Meetings 6 Planning and Contracts Committee Meetings 5 REMCO Meetings 1 Annual General Meeting 1 Strategic Planning Meeting
Mr M.J. Phukuntsi	Board Member i.t.o Section 12 (3) Representing Provincial Treasury	02/02/2021	N/A	1. B. Commerce 2. Masters in Public Administration 3. Higher Certificate in Theology	• Accounting	Roads Agency Limpopo	1. Social & Ethics Committee 2. HR and Remuneration Committee	5 Board Meetings 4 Social and Ethics Committee Meetings 3 REMCO Meetings 1 Annual General Meeting 1 Strategic Planning Meeting
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	3 Board Meetings 4 Social and Ethics Committee Meetings 1 Annual General Meeting 1 Strategic Planning Meeting

Adv. K.B. Marota	Independent Director	02/02/2021	N/A	1. Bachelor of Laws	• Law	Roads Agency Limpopo	Planning and Contracts Committee	6 Board Meetings 6 Planning and Contracts Committee Meetings 1 Annual General Meeting 1 Strategic Planning Meeting
Ms S.R. Mushwana	Independent Director	02/02/2021	N/A	1. Bachelor of Laws	• Law	Roads Agency Limpopo	Social and Ethics Committee	6 Board Meetings 4 Social and Ethics Committee Meetings 1 Annual General Meeting 1 Strategic Planning Meeting
Mr G.M. Maluleke	CEO	01/01/2020	N/A	1. BCom 2. BCom (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	6 Board Meetings 3 Planning and Contracts Committee Meetings 5 Audit and Risk Committee Meetings 3 Social and Ethics Committee Meetings 3 REMCO Meetings 1 Strategic Planning Meeting

2. COMPOSITION of the Board (continued)

Ms M.G. Mokoka	Board Member Audit & Risk Committee Chairperson	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 & Risk	6 Audit and Risk Committee Meetings 6 Board Meetings
Mr Z. Samsam	Audit & Risk Committee Member	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 & Risk	6 Audit and Risk Committee Meetings 6 Board Meetings 1 Strategic Planning Meeting
Dr N.C. Skeepers	Audit & 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 & Risk	6 Audit and Risk Committee Meetings 1 Board Meeting 1 Annual General Meeting 1 Strategic Planning Meeting
Ms N.B. Mutheiwana	Audit & Risk Committee Member	02/02/2021	N/A	1. Master of Business Administration 2. BCom	• Accounting	Roads Agency Limpopo	Audit & Risk	6 Audit and Risk Committee Meetings 1 Board Meeting 1 Strategic Planning Meeting

3. REMUNERATION of the Board

Names	Remuneration	Other Allowances	Other Reimbursements	Total
Mr M.S. Ralebipi	R121 000	-	-	R121 000
Ms W.N.G. Moleko	R97 000	-	-	R97 000
Ms T.M. Ramabulana	R99 000	-	-	R99 000
Adv. K.B. Marota	R87 000	-	-	R87 000
Ms S.R. Mushwana	R80 000	-	-	R80 000
Ms M.G. Mokoka	R115 000	-	-	R115 000
Mr Z. Samsam	R66 000	-	-	R66 000
Dr N.C. Skeepers	R71 000	-	-	R71 000
Ms N.B. Mutheiwana	R66 000	-	-	R66 000

4. COMMITTEES of the Board

Committee	No. of meetings held	No. of members	Name of members
Audit and Risk Committee	6	4	Ms M. Mokoka, Mr Z. Samsam , Dr N.C. Skeepers, Ms N.B. Mutheiwana
Human Resources and Remuneration Committee	5	3	Ms W.N.G. Moleko, Ms T.M. Ramabulana, Mr M.J. Phukuntsi
Planning and Contracts Committee	6	3	Ms T.M. Ramabulana, Ms W.N.G. Moleko, Adv. K.B. Marota
Nominations Committee	0	3	Mr M.S. Ralebipi, Ms W.N.G. Moleko, Ms T. M. Ramabulana
Social and Ethics	4	3	Mr M.J. Phukuntsi, Ms S.R. Mushwana, Ms N.A. Moloisi

CERTIFICATE OF THE COMPANY SECRETARY

In terms of section 88(2)(c) of the Companies Act no 71 of 2008 (as amended), I, T.C. Kekana, in my capacity as Company Secretary, confirm that for the year ended 31 March 2022, the Company has lodged with the Companies and Intellectual Property Commission, all such returns as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.



Ms T.C. Kekana FCG(CS)
Company Secretary

31 July 2022

1. RISK MANAGEMENT

A. Risk Management

RAL has developed an enterprise-wide risk management system that is aligned to the ISO 31 000: 2018 methodology, to guide execution of the risk management activities at all levels of the organisation. The Board of Directors, through its Audit and Risk Committee, provided an oversight into the performance of the enterprise-wide risk management system.

The risk management system of the entity continues to be guided by the approved Risk Management Policy Framework, which gets reviewed on an annual basis. At the executive management level, RAL has established the Governance, Risk and Compliance Committee which meets on a quarterly basis, for purposes of serving as its advisory structure on matters impacting on the mandate of the entity, with the main focal areas of the committee being on operational and project risk management. The top 10 strategic risk profile and progress thereof is as follows:

TABLE 1:

No	Strategic objective	Risk description	Category	Residual Risk Rating	Progress on the implementation of the risk treatment measures
1.	Outcome 1: Adequately supported core business	Inability to achieve the set organisational targets.	Human resources	Level 1	• RAL appointed an external service provider to conduct the institution-wide survey to perform an internal Institutional Diagnostic Analysis to assess gaps that needed to be addressed as part of the Institutional Transformation Project. Subsequently, the remedial actions were developed to address all the identified areas requiring improvement. • RAL has in its plans, the procurement project of sourcing the services of an external service provider to conduct an organisational design to ensure adequate capacitation of the entity in order to achieve its predetermined objectives.
2.	Outcome 1: Adequately supported core business	Inadequate funding.	Funding	Level 1	• RAL managed to secure R3.2 million from the Private Sector Partners to jointly implement projects for the upgrading and maintenance of its road infrastructure assets, during the 2021/22 financial year. • The entity's budget for road infrastructure projects was increased by R294.001m (22%) from R1.355bn to R1.649bn during the mid-term budget adjustment. In addition, the budget adjustment increased the Provincial Road Maintenance Grant (PRMG) from R748.001m to R1.042bn.

4. COMMITTEES of the Board (continued)

3.	Outcome 2: Improved road infrastructure network	Deterioration of the provincial road infrastructure network	Infrastructure	Level 1	- As at 31st March 2022, the revised budget allocation was at R1 786 771 000. A total of 170 projects (147 PRMG, 32 EQS) were all contracted towards upgrading and maintenance projects. The current condition of the provincial road-network is expected to improve going forward in terms of quality and durability. - As at 31st March 2022, RAL had 184 running projects, including floods, preventative maintenance, and road upgrades.
4.	Outcome 1: Adequately supported core business	Loss of credibility and public trust	Reputational	Level 2	In efforts to enhance the positive image of the organisation, RAL's management had developed the communications and stakeholder management strategy to give effect to the approved communications and stakeholder management policy, in order to improve communications as well as stakeholders management in the organisation.
5.	Outcome 1: Adequately supported core business	Business interruptions.	Business	Level 2	- RAL established a business continuity management (BCM) system to cultivate and activate the organisational resilience in response to the effects of crisis and other forms business interruptions. The business continuity and crisis management system can be translated into the following outputs: - Business continuity management policy. - Crisis management policy. - Crisis and business continuity management teams. - Business impact assessments. - The process for testing the BCM system still needs to be subjected to both testing and validation in the next financial year.
6.	Outcome 2: Improved road infrastructure network	High costs for constructing roads.	Financial	Level 2	- During the financial year 2021/22, RAL worked with the CSIR to investigate alternative road construction optimisation mechanisms for reducing costs and to explore ways of reducing the cost per kilometer of road construction. - RAL has entered into Memorandums of Agreement with institutions of Higher Learning (e.g., University of Pretoria, Stellenbosch University) to assist in investigating mechanisms for reducing the high costs for constructing roads.
7.	Outcome 1: Adequately supported core business	Failure to achieve clean audit.	Financial	Level 2	RAL developed and implemented the Audit Improvement Strategy to address areas requiring improvement to support the organisation in its aspiration to achieve set objectives and targets. In addition, the Audit Action Plan was also developed to complement the process of addressing the findings raised by the Auditor-General South Africa.
8.	Outcome 1: Adequately supported core business	Failure to reduce overcommitment as planned on CAPEX projects.	Financial	Level 2	The strategic risk of failure to reduce the overcommitment was retired from the top 10 strategic risks mainly due to the completion of certain construction projects as well as receipt of additional funding from during the MTEF period.

9.	Outcome 1: Adequately supported core business	Inadequate Information, Communications and Technology Governance.	Information, communication technology	Level 2	- The RAL's Information, Communications and Technology (ICT) Steering Committee had continued to promote the embedment and implementation of the ICT strategy and framework. - Moreover, on a quarterly basis the Audit and Risk Committee continued in fulfilling its oversight responsibilities, as entrenched in its charter, including monitoring and reporting on the implementation of both the ICT framework and strategy.
10.	Outcome 1: Adequately supported core business	Increase in number of litigations instituted against RAL.	Legal	Level 2	- By the end of the 2021/22 financial year end, RAL sought to procure the services of external service provider to provide a 3rd party liability insurance to reduce the litigation risk exposure facing RAL. The procurement process was initiated in the 2021/22 financial year and finalised in the 1st quarter of the 2022/23 financial year. - In addition, RAL has embarked on a major road maintenance drive to improve the current condition of its road infrastructure to guard against excessive motor vehicle accidents.

The RAL's project risk management system continues to be on an upward trajectory taking into account the substantial number of projects that were subjected to project risks and issues assessment.

B. Anti-Fraud and Corruption

Management continued to monitor and report on the implementation of the Fraud Risk Register on a quarterly basis at various governing structures (GRC Committee, EXCO, Audit and Risk Committee, as well as the Board of Directors). Great strides have been made during the financial year 2021/22 to cultivate and embed an ethical culture and mindset amongst staff, in line with the provisions of King IV Report on Corporate Governance.

RAL formally conducted the enterprise-wide awareness on the roles, purpose, and benefits of an ethical culture. RAL held an ethics conversation awareness session on 15 March 2022, in partnership with industry leaders from Auditor-General South Africa, the National Department of the Public Service and Administration. RAL is currently working on a process of procuring an in-house Ethics Hotline to be managed externally by an independent service provider to replace the current Public Sector Hotline (0800 701 701) under the supervision of Public Service Commission to ensure the level of pro-activeness in managing ethics in the organisation.

Furthermore, the Agency, in its procurement processes continues to give due regard to the

provisions set out in the Public Finance Management Act of 1999, Treasury Regulations and Framework for Supply Chain Management and related pieces of legislation.

The entity had an approved Fraud Prevention and Anti-Corruption Policy, which was implemented throughout the financial year being reported on.

C. Occupational, Health and Safety

The Occupational, Health and Safety Committee played the fundamental role in promoting and maintaining a safe working environment for staff members and visitors during the height of COVID-19 pandemic. The committee provided some technical support, advice, and guidance to EXCO on how to maintain a safe working environment and minimising the spread of the virus during working hours. The required PPE (COVID-19 and general) was procured and issued to staff throughout the course of the 2021/22 financial year to mitigate potential health hazards and risks in the workplace. The positive impact of these control measures had translated into a minimal impact of COVID-19 pandemic on the RAL's day to day internal business operations.

The cumulative number of staff members who tested positive for the COVID-19 virus at the Agency is sitting at 35 to date, with 34 infected employees having recovered and 1 employee who has lost his life. The Committee worked tirelessly in resolving all its COVID-19 related findings, thereby strengthening measures to ensure the health and wellness of employees

4. COMMITTEES of the Board (continued)

throughout the organisation. Moreover, the COVID-19 processes and procedures were subjected to a rigorous audit review by the Agency's Internal Audit Unit for purposes of continued improvement.

In addition, there has been a major reduction in the number of non-conformance findings in relation to the non-compliance with the provisions of the Occupational, Health and Safety Act (Act 85 of 1993) in the RAL's building.

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, 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 the procurement goods and services is done in compliance with the laws and regulations.

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

Road Agency Limpopo performs the Internal Audit on a co-sourced basis, with Entsika Consulting (Pty) Ltd having been appointed during the financial year 2021/2022 to supplement the current RAL Internal Audit human capital, to impart knowledge through skills transfer and to contribute towards the improvement of the control environment of the RAL. RAL's internal audit performed the internal audit activities for the year ended 31 March 2022, in accordance with the Internal Audit Plan for 2021/22, 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 sixteen (16) planned audits. The three (3) carried over audit projects, which were the audit of Performance Information for quarters 2, 3 and 4 of the 2021/22 financial year were completed successfully during quarter 1 of the 2022/23 financial year, when Internal Audit performed an assurance review of performance information to assist with the external audit.

There were seventy-nine (79) findings reported during the 2021/2022 financial year, fifteen (15) being level 1 (high) findings, sixty-three (63) being level 2 (medium) and one (1) being level 3 (low) impact findings compared to fifty-five (55) that were reported in the 2020/2021 financial year. This increase in findings was attributable to the audit of COVID-19 Compliance, Performance Information Q1, Stakeholder Management, IT General Controls, Internal Financial Controls, Supply Chain Management, Records Management, Commitment, Expenditure and Budget Management, as well as Infrastructure Asset Management process audits. The high and medium findings reported in the reporting financial year were mainly due to inadequate policies, non-compliance with existing policies, charters not aligned to the approved delegation of authority framework, poor contract management, deficiencies in the internal financial controls processes, infrastructure assets register not regularly updated, lack of review of processes by senior employees and inadequate document management process, which continue to pose significant challenges to the entity. Follow-up audits were conducted regularly, and management has made significant progress in clearing audit findings.

4. AUDIT & RISK COMMITTEE

The Audit and Risk Committee exercised an oversight and monitoring function, as required in terms of its approved Charter. 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.

Audit Committee Members:

The Audit Committee consisted of the independent members listed hereunder. The Committee convened six (6) meetings during the 2021/22 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 & Risk Committee	6
Mr Z. Samsam Independent Audit & Risk Committee Member	6
Dr N.C. Sweepers Independent Audit & Risk Committee Member	6
Ms Mutheiwana Independent Audit & Risk Committee Member	6

Audit & 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.

The 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.

4. COMMITTEES of the Board (continued)

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

5. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response Yes / No	Discussion (include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	The entity has contacted the BBBEE Commission on the 22 August 2022 in order to establish the process that needs to be followed to ensure that RAL complies with the provisions of the BBBEE Act. The process to establish the status will take longer to complete and the information on the Agency's compliance with B-BBEE Act shall be detailed in the 2022/23 financial year.
Developing and implementing a preferential procurement policy?	Yes	The entity has Supply Chain Management Policy that is guided by the B-BBEE Act and Preferential Procurement Policy Framework Act (PPPFA) as its legislative framework for supply chain management processes.
Determining qualification criteria for the sale of state-owned enterprises?	No	
Developing criteria for entering into partnerships with the private sector?	No	The Agency will address this matter with the 2020/23 financial year.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad-Based Black Economic Empowerment?	No	The Agency will address this matter in accordance with its legislative framework and operating environment.



Preventative road maintenance - P85/2 Settlers
to Tuinplaas: Waterberg District Municipality.



PART D

HUMAN RESOURCES REPORT

1. HUMAN RESOURCES

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 result-driven workforce that possesses a better understanding of 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 2021/22, RAL had a total staff compliment of 83 employees. Of these 6 occupied top management positions while 5 held senior management positions. The rest of the staff included inter-alia, 24 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 non-approval of recruitment plan by Provincial Treasury. However, expectations are for those vacant posts to be filled as recruitment plan was approved towards the end of 2021/22 financial year.

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 R 74 897 million.

FOSTERING EMPLOYEE ENGAGEMENT

RAL's HRM philosophy is built on the values of labour peace, employee engagement, and total workplace democratisation. 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 an 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. Workplace forum was successfully established. 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 uphold 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 programme was to equip employees with 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 programme. 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. RAL's training investments and programmes ensure 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.

1. HUMAN RESOURCES Overview (continued)

EMPLOYEE WELLNESS PROGRAMME

The promotion of healthy lifestyles among RAL's employees was one of the top items on RAL management's 2021/22 business agenda. The agency had a successful wellness session during 20221/22 financial year.

OCCUPATIONAL HEALTH PROGRAMME

RAL fully appreciates the strategic necessity of upholding the highest standards of occupational health and safety (OHS) to its business strategy. At RAL, the safety of employees is a primary and topmost priority. The occupational Health and Safety Committee is functional. The committee is also assisting in monitoring COVID 19 related matters. One of the areas of focus during the financial year remained the renovation of the RAL's offices as part of efforts to strengthen the Agency's OHS environment. However, the intended plan to renovate RAL's building in order to make it more OHS compliant could not be carried out as planned due time constraints. Management, however, expected the maintenance activity to be done in the first quarter of 2021/22 financial year. (This section moved to GRC. It will be reported there.)

2. HUMAN RESOURCE 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	25 674	34	28	916
Corporate Services	17 358	23	25	667
Finance	1 232	17	12	1 027
Information Technology	14 667	6	05	744
CEO's Office	14 866	20	13	1 143
Total	74 897	100	83	902

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	13 376	18	6	2 229
Senior Management	7 553	10	5	1 510
Professional Qualified	29 472	39	24	1 228
Skilled	15 471	21	20	773
Semi-skilled	7 782	10	21	370
Unskilled	1 243	2	7	177
Total	74 897	100	83	902

NB: The above total Personnel Expenditure excludes interns with the amount of R 1 582

1. HUMAN RESOURCES Oversight Statistics (continued)**Performance Bonus**

Programme/ Activity/ Objective	Performance Rewards	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel cost (R'000)
Top Management	557	13 376	4
Senior Management	362	7 553	5
Professional Qualified	1 405	29 472	5
Skilled	707	15 471	5
Semi-skilled	276	7 782	3
Unskilled	57	1 243	5
Total	3 364	78 341	4

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 Cost per Employee
Training and Courses	74 897	711	0,95%	79	9 000

Programme/ Activity/ Objective	2020/21 No. of Employees	2021/22 Approved Posts	2021/22 No. of Employees	2021/22 Vacancies	% of Vacancies
Employment and Vacancies	83	138	82	56	41

Programme/ Activity/ Objective	2020/21 No. of Employees	2021/22 Approved Posts	2021/22 No. of Employees	2021/22 Vacancies	% of Vacancies
Top Management	6	7	6	1	14
Senior Management	5	29	5	20	68
Professional Qualified	24	31	24	9	29
Skilled	20	37	19	18	49
Semi-skilled	21	27	21	8	29
Unskilled	7	7	7	0	0
Total	83	138	82	56	41

Salary Band	Employment at Beginning of Period	Appointments	Terminations	2021/22 Vacancies	Employment at End of the Period
Top Management	6	0	0	1	6
Senior Management	5	0	0	20	5
Professional Qualified	24	0	0	9	24
Skilled	20	0	1	18	19
Semi-skilled	21	0	0	8	21
Unskilled	7	0	0	0	7
Total	83	0	1	56	82

1. HUMAN RESOURCES Oversight Statistics (continued)

Reason	Number	% of Total no. of Staff Leaving
Death	1	1.2
Resignation	0	0
Dismissal	0	0
Retirement	0	0
Ill health	0	0
Expiry of Contract	0	0
Other	0	0
Total	1	1.2

Employment Changes

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

3. EQUIPMENT 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	3	4	0	0	0	0	0	0
Professional Qualified	13	15	0	0	0	0	1	1
Skilled	5	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	33	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

3. EQUIPMENT Equity (continued)

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 top and senior management. The other key critical positions are at evaluation stage by the Human Resources Unit. The target for people with disability will be addressed in the 2022/23 employment equity targets.



Road D2919 - Upgrading from gravel to tar from Tshikanosi to Malebitsa.

R519 - From Polokwane to Zebediela road
rehabilitation: Capricorn District Municipality.





PART E

STAKEHOLDER ENGAGEMENT AND COMMUNICATIONS

1. STAKEHOLDER ENGAGEMENT

Overview

Roads Agency Limpopo has, for the financial year 2021/22 undertaken and strengthened its stakeholder management initiatives. A number of stakeholder engagements aimed at rallying key stakeholders behind a shared provincial road infrastructure development vision and understanding, continue to be conducted.

During the year under review, the Agency reaffirmed its commitment to pro-actively engage employees especially on matters of mutual concern to them. The purpose of these engagements was to cement workplace peace, unity of purpose and organisational cohesion. In line with RAL's employee engagement tradition, concerted efforts were made to keep staff across the Agency abreast of new developments of concern to their welfare.

STAKEHOLDER ENGAGEMENT

Stakeholder management remains an integral element of RAL's value creation process within for the Agency's core business. The Agency's ability to pro-actively communicate to the public and engage purposefully with stakeholders is one of the critical pillars of its business strategy.

RAL relies on a complex matrix 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. RAL believes that the task of balancing the diverse interests of key stakeholders is a dynamic and ongoing process. During the financial year, 2021/22, RAL through its shareholder representative, Honorable MEC for Public Works, Roads and Infrastructure, Mme Nkakareng Rakgoale, has strengthened its stakeholder engagement initiatives.

The Agency primarily focused on four main stakeholders, namely, local communities, municipalities, strategic partners and traditional authorities.

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 in itself but a means to help build better partnerships with communities in which it serves and operate, 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.

COMMUNITY ENGAGEMENT

The needs and concerns of communities continue to dominate engagement agenda of RAL. The Agency has adopted a close relationship with the Limpopo communities to ensure that the flow of information and engagement becomes targeted and seamless.

RAL has correctly observed 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. Communities are always 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 in order to address their legitimate concerns. During the financial year 2021/2022, a number of community engagements sessions were conducted.

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.

The trust deficit between RAL and communities is still a major driver that fuels community protests. Key areas that need further improvements include among others; the need to strengthen RAL's community engagement capacity as well as stepping up community outreach campaigns. RAL frequently uses community outreach as campaigns dialogue platforms. In other words, these platforms present opportunities for the Agency to provide constant feedback on pertinent issues of community interest.

MUNICIPALITY ENGAGEMENT

Engagement with municipalities remains at the centre of RAL stakeholder management strategy. RAL relies on inputs generated by municipalities through their community-based Integrated Development Plan (IDP) formulation processes to inform its road prioritisation plans.

Over the years, the relationship between RAL and the local municipality sector was not as sound as it should. This was attributed to failure to pro-actively involve and engage municipalities in RAL's previous road prioritisation sessions. The resultant effect of this lack of sufficient collaboration with local municipalities created a disconnect between RAL and local communities.

The collaboration between RAL and municipalities' intention is to see district mayors 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 the way they plan, design, construct, maintain and manage 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

The Agency continues with its efforts to engage a number of strategic partners to assist in co-funding some of Limpopo's critical road infrastructure. 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.

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.

1. STAKEHOLDER Engagement (continued)**SMME EMPOWERMENT PROGRAMME**

The integral role played by the Small, Medium and Micro Enterprises (SMMEs) in the success of RAL's core business can not be over emphasised.

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.

LOCAL LABOURER PROGRAMME

The Agency's Local Labourer Programme is designed in such a way that for upgrading projects main contractors must ensure that 10% of the contract value is used on the employment of local labourers who must prioritise women, youth and people with disabilities. For maintenance projects, 5% of the contract value is earmarked for the latter mentioned group. In the 2021/2022 financial year about R28 million was spent on the employment of local labourers in RAL projects.

The empowerment of local labourers where the Agency constructs its roads supports the government's efforts to empower and create the much-needed jobs in the province.

The Agency has also, as part of an ongoing effort to seek better ways to maximise its impact on creation of employment for local labourers, attended the 4th Expanded Public Works Programme (EPWP) Summit in the last quarter of the year under review. The International Labour Organisation (ILO), represented by Ms Mito Tsukamoto from the Head Office, Switzerland: Geneva, was also in attendance. The ILO representation stressed the importance of developing skills of participants in the EPWPs and the need to create sustainable employment for local labourers through programme.

Operation Thiba Mekoti led by MEC Mme Nkakareng Rakgoale:
Mopani District Municipality Launch, August 2022.





Provincial activations of Operation Thiba Mekoti
as part of the Vala Zonke initiative.



1. STAKEHOLDER Engagement (continued)**MARKETING, COMMUNICATIONS AND PUBLIC RELATIONS**

The 2021/2022 has seen RAL taking a dipstick look at its communications and public relations machinery. The goal of this exercise included evaluating the strengths and weaknesses of all Public Relations, Marketing and Communications activities 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 communications and public relations tools is developed and used.

RAL recognises the fact that there are different audiences influenced by varied public relations, marketing and communication drivers. The Agency, therefore saw the importance of tailor making messages to resonate with each group of stakeholders. Alignment of all stakeholder management, communications and public relations initiatives was also considered to be a significant element to drive their success.

To promote RAL's visibility and market presence, the Agency continues to run communications 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.

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 lives 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 communications and public relations tool. Several editions have been published to date.

A recent review of the effectiveness of the publication was conducted and resulted in 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.

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. Another significant section includes stakeholder engagement feature 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. The impact of SMME and local labour empowerment initiatives are also publicised to show the impact created by the work of RAL.

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. The Agency has also adopted several digital communications platforms to enhance its readership 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:

1. RAL website
2. Zio
3. Press Reader
4. Yumpu
5. Magzter
6. Issuu
7. Twitter
8. Instagram
9. Facebook
10. YouTube

Each new edition is also promoted on RAL social media channels, Twitter, Instagram 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.

1. STAKEHOLDER Engagement (continued)

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 as Twitter, Facebook, Instagram 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.

Several 2021 Mmileng Issue editions have been the most popular, judging by the social media mentions. We feel the main reason for this popularity is because of the inclusion of personality features along with their support and following. The influencer strategy has worked like a charm as it triggers interest in the publication and curiosity about what the publication contains. Our expectation and plan in covering celebrities is to get them to comment positively about Limpopo's road infrastructure delivery and the work of RAL, thereby influencing those who support and follow them to share a positive narrative about the efforts of the Agency.

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.

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.

Demands for road infrastructure needs and the role of communications.

The Agency has over the years seen an increase in terms of demands for roads, in particular, violent service delivery protests. Most stakeholders have adopted service delivery protests as a way of communicating their dissatisfaction to government.

The fact that, there is so many service delivery protests and demand for road infrastructure, is a clear indication of how significant roads are for the development agenda of South Africa, in particular Limpopo as a rural province. Realising the negative impact of this social phenomenon, RAL has therefore embarked on a province wide public relations strategy to target areas considered to be hotspots for these protests and demands. One of the important approaches adopted by the Agency is to be proactive in approach when communicating.

D4166 - Ga-Riba road project:
Sekhukhune District Municipality.





PART F

FINANCIAL INFORMATION

1. FINANCIAL Performance

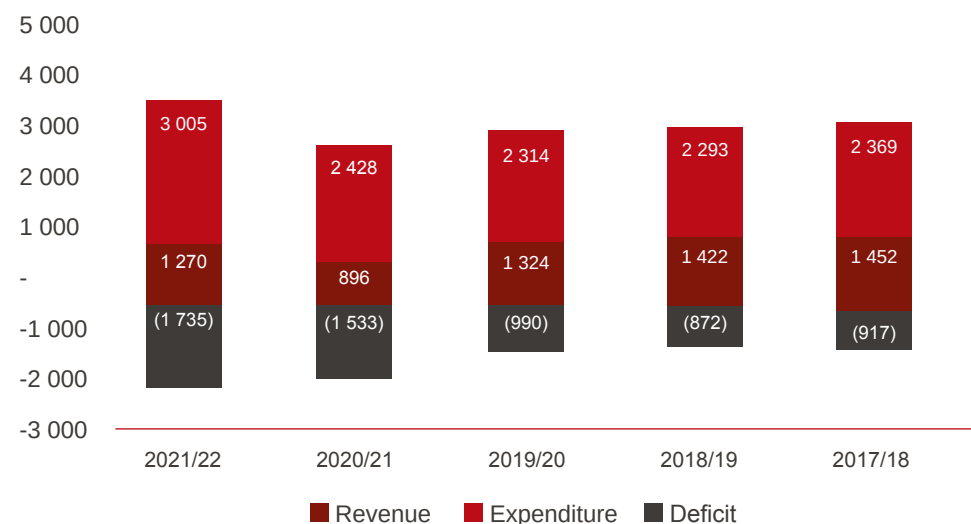
RAL is slowly recovering from the scourge of over-commitment made between 2015/16 and 2017/18. Demand for road upgrades was higher than funds allocated by the government for road upgrades, leading to over-commitment and spending of maintenance grants for the road upgrades. To address overcommitment, RAL developed a turnaround plan in 2018/19. However, most road upgrade projects are multi-year, so the over-commitment was only fully addressed in the 2021/22 financial year. The consequence of over-commitment is the underspending of road maintenance grants in the subsequent years due to a lack of running maintenance projects.

Government grants allocated to the Agency increased by 31%, from R1,366 billion in 2020/21 to R1,788 billion in 2021/22. The significant increase in the 2021/22 appropriation is due to an unspent grant of R474 million rolled over from 2020/21 to the 2021/22 financial year. As a result, grants recognised as income amounted to R1,254 billion (2020/21: R892 million). These amounts are lower than the grants received due to underspending of R534 million and R474 million in 2021/22 and 2020/21, respectively.

PROFITABILITY

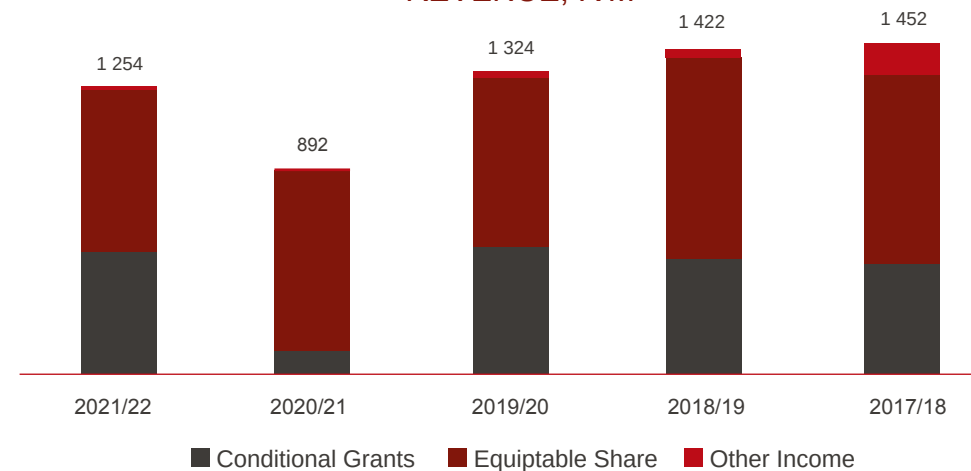
RAL recorded a net deficit of R1,735 billion in the 2021/22 financial year (2020/21: R1,533 billion). The loss was mainly due to the depreciation, impairment loss and repair and maintenance of R2,156 billion (2020/21: R2,189 billion), R172 million (2020/21: R23 million), and R539 million (2020/21: R56 million), respectively.

REVENUE, EXPENDITURE AND DEFICIT, R'M



Revenue. The total revenue for the year was R1,270 billion (2020/21: R896 million), and it is mainly from government grant allocation.

REVENUE, R'M



Government grant budget allocations are almost evenly distributed between conditional grants and equitable shares. Only equitable share can be used for road upgrades, 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 R15 million (2020/21: R3 million) own revenue. The larger increase in own income was due to a provision for standing time costs of R10 million for contractors. In addition, contributions from private sector partners amounted to R153 000 (2020/21: R230 000).

EXPENDITURE

Employee related costs. The personnel costs increased by 4% to R81 million (2020/21: R78 million) mainly due to salary increases.

Depreciation, amortisation and impairments. The high depreciation of infrastructure assets was caused by the large infrastructure asset base, which stood at R17,818 billion at the end of the year (2020/21: R19,568 billion). The ageing of the road infrastructure network and the utilisation of the road maintenance grant for road upgrades have led to insufficient road maintenance, resulting in significant road impairment losses, which amounted to R172 million (2020/21: R23 million). RAL assessed the impairment of the whole road network in the current financial year, compared to only a portion of the road network in the previous year. As a result, the impairment loss for the current financial year was high.

Repair and maintenance. This is mainly related to the routine repair and maintenance costs of roads. Repair and maintenance costs increased by R483 million to R539 million (2020/21: R56 million) due to the correct use of road maintenance grants for road maintenance, rather than road upgrades as in the past.

General Expense. General expenditure increased from R43 million in 2020/21 to R56 million in 2021/22, a 30% increase. The increase was caused by the increase in subsistence and travelling costs due to an increase in the number of road construction projects, an increase in internal and external audit fees, an increase in legal fees due to the rising number of court cases, and an increase in marketing and public relations costs. However, cost containments offset these expenses by reducing professional and consulting fees.

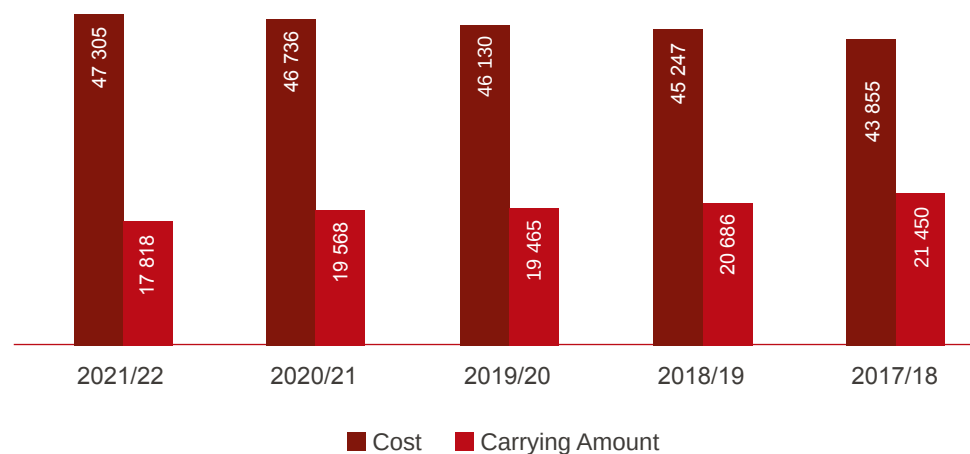
FINANCIAL POSITION

The RAL's total assets declined by 6% to R18,537 billion (2020/21: R19,683 billion), and the total liabilities increased by R593 million to R841 million (2020/21: R248 million).

Assets. Total assets decreased by R1,147 billion, mainly due to the depreciation of infrastructure assets of R2,156 billion (2020/21: R2,189 billion) and the high impairment loss of R172 million (2020/21: R23 million). This decline was offset by R578 million (2020/21: R709 million) additions to road infrastructure and increase in cash holding of R616 million. In the five years, 2016/17 to 2020/21, the net carrying amount of RAL's property, plant and equipment declined by 17% from R21,450 billion in 2017/18 to R17,818 billion in 2021/22, which translates into a cumulative annual decline of 5%. During these five years, the total increase in infrastructure assets was R4,723 billion, and the total asset depreciation and amortisation were R9,306 billion, resulting in a net decrease of R4, 583 billion in assets.

1. FINANCIAL Performance (continued)

PROPERTY, PLANT AND EQUIPMENT, R'M

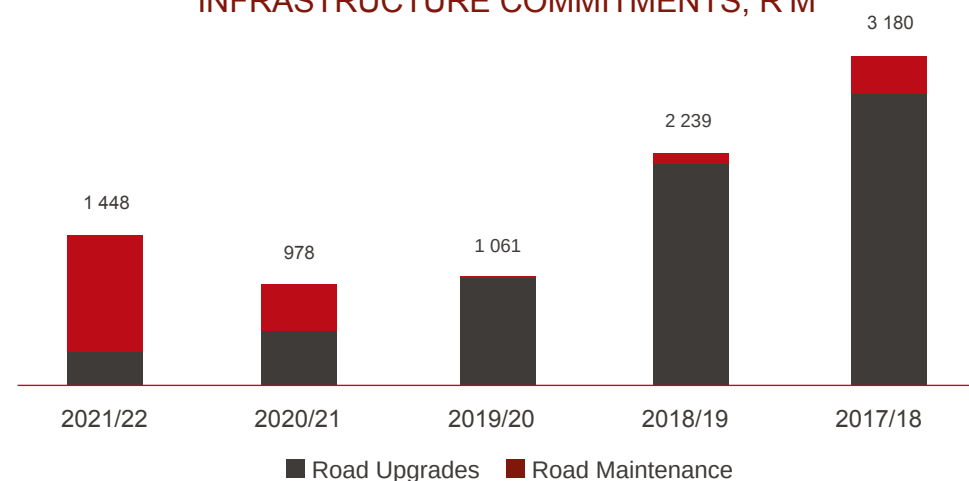


Liabilities. The Agency's total liability increased significantly by R593 million, from R248 million to R841 million. The increase was mainly caused by an increase in payables from non-exchange transactions of R522 million and an increase in trade payables of R78 million. The liabilities are made up mainly of payables on infrastructure projects of R230 million (2020/21: R129 million), payables from non-exchange transactions of R522 million, payables to private sector partnerships of R19 million (2020/21: R19 million), and retentions of R70 million (2020/21: R67 million). RAL endeavours to pay invoices within 30 days per the Agency's policy.

Solvency. RAL's solvency ratio, measured as total debt/net assets, is 6% (2020/21: 1%). Although the ratio has declined from the previous year, it remains low. The decline was caused by the increase in total liabilities, as explained above. In addition, since the RAL is a public entity on Schedule 3C, it cannot borrow and has a substantial infrastructure asset base; its solvency ratio is very low.

Commitments. The total commitment for road infrastructure increased from R978 million in 2020/21 to R1,448 billion in 2021/22. The increase was due to a significant increase in commitments for road maintenance grants from R694 million to R1,127 billion. Notably, RAL's commitment for road upgrades has been reduced by R223 million, from R545 million in 2020/21 to R322 million in 2021/22. The road maintenance commitment of R1,127 billion for 2021/22 reflects a commitment to use conditional grants for road maintenance in accordance with the terms of the grant.

INFRASTRUCTURE COMMITMENTS, R'M



CASH FLOW

Summary of the cash flows for the five years ended 31 March 2022

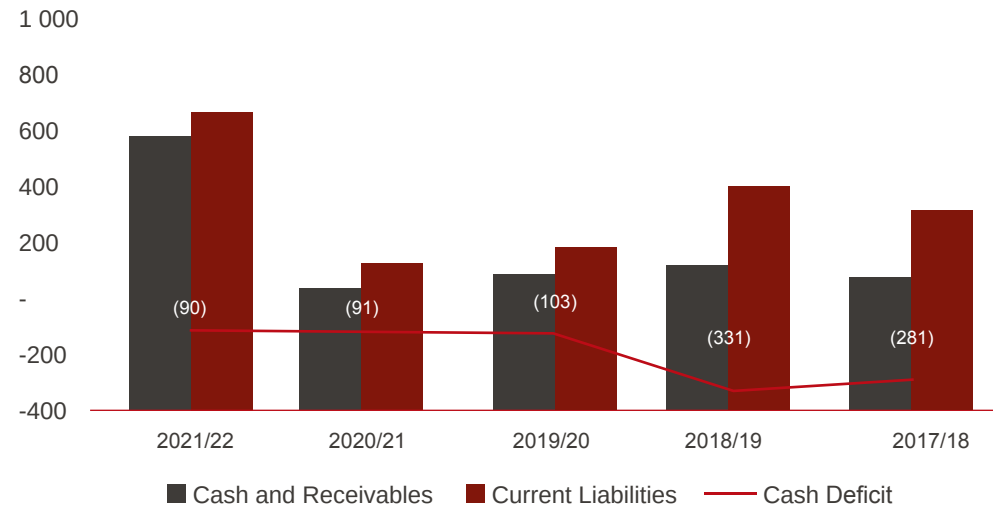
R'000	2021/22	2020/21	2019/20	2018/19	2017/18
Net cash flows from operating activities	1 104 637	694 535	1 144 453	1 202 811	1 168 429
Net cash flows from investing activities	(488 936)	(747 802)	(1 166 725)	(1 149 664)	(1 052 320)
Net cash flows from financing activities	(78)	-	(221)	(348)	(313)
Net increase/(decrease) in cash and cash equivalents	615 623	(53 267)	(22 493)	52 799	115 796
Cash and cash equivalents at the beginning of the year	94 313	147 580	170 073	117 274	1 478
Cash and cash equivalents at the end of the year	709 936	94 313	147 580	170 073	117 274

Cash flow from operating activities. Cash flow from operating activities increased by 59% to R1,105 billion from R695 million in 2020/21. The increase was mainly attributable to the unspent conditional grant of R534 million at the end of the year that had not been surrendered. In the contract, all grants allocated to the RAL but not used were surrendered at the end of the previous financial year.

Cash flow from investing activities. The total spending on assets decreased by R259 million (35%), from R747 million in 2020/21 to R488 million in 2021/22. The decrease was attributable to a decrease in upgrading projects (increase in PPE) as a result of higher road maintenance spending.

Cash and cash equivalents. The cash at the bank increased by R616 million from R94 million in 2020/21 to R710 million in 2021/22. The large cash balance was due to an unspent grant of R534 million at the end of the year. Unspent grants were surrendered after the end of the financial year.

REVENUE, EXPENDITURE AND DEFICIT, R'M



CONTROL ENVIRONMENT

In order to improve the financial management and control environment, the Provincial Treasury requires public entities and departments to establish internal control/proactive assurance functions in the financial department. RAL has established the proactive assurance function to provide another layer of assurance by ensuring the formulation and full implementation of audit action plans and risk management. In particular, this function is responsible for providing assurance on the supply chain affairs, which is the main area that leads to irregular expenditure. The function also ensures that the finance department complies with policies and procedures before internal and external audits can provide other levels of assurance. This has proven to be helpful, as evidenced by the reduction in the number of non-compliances and other audit findings in previous years.

1. FINANCIAL Performance (continued)**SUPPLY CHAIN MANAGEMENT**

The current and historical challenges that the SCM unit is faced with continue to contribute to irregular expenditure predominantly as a result of poor contract management, the continued expenditure on contracts that are not on Table B5, and non-compliance with requisite SCM procedures. These challenges also point to a weak internal control environment and weaknesses in the SCM.

To address the situation, RAL has appointed Senior Manager in the SCM and is filling other critical vacancies in the SCM. In addition, RAL has reviewed its SCM policy in the 2021/22 financial year and developed the standard operating procedure. RAL has established panels of contractors and consultants for road infrastructure projects. These panels have assisted in improving the turnaround time for road infrastructure appointments. However, further improvements are needed to increase turnaround times for non-infrastructure procurements.

AUDIT OUTCOME

RAL has received an unqualified audit opinion from the Auditor General of South Africa (AGSA) in the 2021/22 financial year, with findings on compliance with laws and regulations. The non-compliances with laws and regulations were mainly caused by irregular expenditure and adjustment of the financial statements and performance information submitted for the audit. 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 currently seeking such condonements. However, the process of obtaining condonement has been hindered by the investigations by the Special Investigation Unit (SIU) and BDO initiated by the Office of Presidency and Limpopo Provincial Treasury, respectively.

FUTURE PROSPECT

The entity has not paid provincial road maintenance grants in previous years. The delays in the appointment of the consultants and contractors contributed to the underspending. In the previous financial year (2019/20), RAL appointed the road asset management system (RAMS) service providers. This system is essential for road infrastructure assets' complete and accurate registration. In light of the audit findings relating to the asset register identified in the previous years, RAL is banking on the RAMS for the improved asset register. Also, the accounting system used by the entity is outdated and no longer meets the demands of the entity. The system also contributed to some of the inefficiencies and errors in the financial statements. RAL developed most of its policies in the past five years. However, no standard operating procedures were developed to support these policies. Against this background, the Finance Unit will be working on the following key focus areas:

- Spending 100% of the allocated grants
- Improving the accuracy of the infrastructure assets information
- Identification of the improved accounting system
- Development of the standard operating procedures

2. DIRECTORS RESPONSIBILITY 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 behaviour is applied and managed within predetermined 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 to 146 were approved by the Board of Directors and are signed on their behalf by:



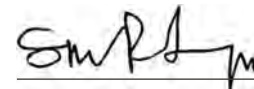
Mr G.M. Maluleke CA(SA)
Chief Executive Officer

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

3. REPORT ON THE AUDIT of the Financial Statements

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Roads Agency Limpopo set out on pages 94 to 146, which comprise the statement of financial position as at 31 March 2022 the statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to 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 2022, and its financial performance and cash flows for the year then ended in accordance with, in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP), the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (the Companies Act).

Basis for opinion

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

4. I am independent of the 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 36 to the financial statements, the corresponding figures for 31 March 2021 were restated as a result of error in the financial statements of the entity at, and for the year ended 31 March 2022.

Significant uncertainties

8. With reference to note 33 to the financial statements, the entity is the defendant in a number of lawsuits. The entity is opposing these claims. The ultimate outcome of these matters 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 40 to the financial statements, the entity incurred irregular expenditure of R674 668 000, as it did not follow a proper SCM process and spent on projects that were not budgeted for.
10. As disclosed in note 40 to the financial statements, irregular expenditure of R4 785 562 000 that was incurred in the previous years was still under investigation.

Underspending of the budget

11. As disclosed in note 14, the entity materially underspent the budget by R517 248 000 on provincial road management grant.

Impairments – Property, plant and equipment

12. As disclosed in note 25 to the financial statements, a material loss of R172 458 000 was incurred as a result of impairment of property, plant and equipment.

Responsibilities of the accounting authority for the financial statements

13. 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.

14. 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

15. 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.
16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

4. REPORT ON THE AUDIT of the Annual Performance Report

Report on the audit of the annual performance report

Introduction and scope

17. 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.

18. 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.

19. 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 2022:

Programme	Pages in the annual performance report
Programme 2: Roads infrastructure	27-31

20. 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.

21. 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

22. I draw attention to the matters below.

Achievement of planned targets

23. Refer to the annual performance report on pages 22 to 31 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

Adjustment of material misstatements

24. 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 and Legislation

Report on the audit of compliance with legislation

Introduction and scope

25. 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.

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

Annual financial statements

27. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55 (1) (b) of the PFMA.

Material misstatements of property, plant and equipment, depreciation and irregular expenditure items identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

28. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R674 668 000 as disclosed in note 40 to the 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 current year as well as spending on projects not approved as per table B5.

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

Strategic planning and performance management

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

Procurement and contract management

31. 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 losing bidders. Similar limitations were also reported in the prior year.

32. Contracts were awarded to bidders based on evaluation/adjudication criteria that differed from those stipulated in the original invitation for bidding as required by Treasury Regulation 16A6.3(a) and (b). This non-compliance was identified in the procurement processes for the asset management system.

33. Some of the contracts were awarded to bidders based on pre-qualification criteria that were not stipulated in the original invitation for bidding, in contravention of the 2017 Preferential Procurement Regulation 4(1) and 4(2). This non-compliance was identified in the procurement processes for the panel appointments.

34. 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 8.2.1 and 8.2.2. Similar non-compliance was also reported in the prior year.

5. REPORT ON THE AUDIT of Compliance and Legislation (continued)**Other information**

35. 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 programmes presented in the annual performance report that have been specifically reported in this auditor's report.
36. 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.
37. 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.
38. 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

39. 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.
40. Leadership did not adequately review the financial statements and the annual performance to prevent the risk of material misstatements as material errors noted required adjustments.
41. 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.
42. The entity did not adequately review and monitor compliance with applicable procurement legislation and the PFMA.
43. The entity continued to incur expenditure on projects that were not approved in terms of Table B5.
44. 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 noted required adjustments.

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. Provincial Treasury, through 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

31 July 2022



6. ANNEXURE Auditor-General's Responsibility for the Audit

Annexure - Auditor-general's responsibility for the audit

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



7. DIRECTOR'S 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 2022.

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 assets, 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 receives 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 R 76.123 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 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) are 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.

The Board of Directors is committed to applying all codified and customary corporate

governance imperatives, as well as mandatory and regulatory provisions of statutes and regulations, 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 Board Performance Agreement with the Board of Directors of 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 four (4) independent non—executive members. The Committee held six (6) 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 and/or elimination 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.

7. DIRECTOR'S Report (continued)**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
- Ms M. Mokoka – Independent Non-Executive Director
- Adv. K.B. Marota - Independent Non-Executive Director
- Ms S.R. Mushwana – Independent Non-Executive Director
- Mr J.M. Phukuntsi – Ex Officio Director representing the Limpopo Provincial Treasury
- Ms N.A. Moloisi – Ex Officio Director representing the shareholder Department of RAL, Limpopo Department of Public Works, Roads and Infrastructure
- 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.

Upgrading of gravel road D2919 from Tshikanoshi
to Malebitsa - Sekhukhune District Municipality.





R519 - From Polokwane to Zebediela road
rehabilitation: Capricorn District Municipality.



PART G

FINANCIAL STATEMENTS

1. STATEMENT OF Financial Position as at 31 March 2022

Figures in Rand thousand	Note(s)	2022	2021
Current Assets			
Inventories	6	353	313
Receivables from exchange transactions	7	5,666	2,713
Receivables from non-exchange transactions	8	-	15,083
Cash and cash equivalents	9	709,936	94,313
		715,955	112,422
Non-Current Assets			
Property, plant and equipment	2	17,818,204	19,568,333
Intangible assets	3	-	3
Other financial assets	5	2,550	2,670
		17,820,754	19,571,006
Total Assets		18,536,709	19,683,428
Liabilities			
Current Liabilities			
Retentions	4	35,109	7,681
Finance lease obligation	11	415	-
Payables from exchange transactions	13	248,779	147,267
Payables from non-exchange transactions	14	521,718	1,659
Provisions	12	-	31,425
		806,021	188,032
Non-Current Liabilities			
Retentions	4	35,206	59,791
Total Liabilities		841,227	247,823
Net Assets		17,695,482	19,435,605
Share capital / contributed capital	10	1	1
Accumulated surplus		17,695,483	19,435,604
Total Net Assets		17,695,484	19,435,605

2. STATEMENT OF Financial Performance

Figures in Rand thousand	Note(s)	2022	2021
Revenue			
Revenue from exchange transactions			
Other income	19	12,459	986
Interest income	20	3,012	2,344
Gain on disposal of assets	17	10	-
Total revenue from exchange transactions		15,481	3,330
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	21	1,254,440	892,196
Contributions by other entities	22	153	230
Total revenue from non-exchange transactions		1,254,593	892,426
Total revenue	15	1,270,074	895,756
Expenditure			
Employee related costs	23	(80,936)	(78,341)
Depreciation and amortisation	24	(2,155,668)	(2,188,939)
Impairment loss	25	(172,458)	(23,499)
Contractors expenses	16	-	(31,425)
Interest and penalties	26	(30)	-
Repairs and maintenance	18	(539,296)	(55,753)
Provision for bad debts	27	(202)	(253)
De-recognition of roads and bridges	29	(23)	(7,018)
General expenses	28	(56,041)	(43,116)
Total expenditure		(3,004,654)	(2,428,344)
Deficit for the year		(1,734,580)	(1,532,588)

3. STATEMENT OF Changes in Net Assets

Figures in Rand thousand	Share capital / contributed capital	Accumulated surplus	Total net assets
Opening balance as previously reported	1	19,362,289	19,362,290
Adjustments			
Correction of errors	-	1,609,233	1,609,233
Balance at 01 April 2020 as restated*	-	20,971,522	20,971,522
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	-	(1,532,588)	(1,532,588)
Total recognised income and expenses for the year	-	(1,535,918)	(1,535,918)
Total changes	-	(1,535,918)	(1,535,918)
Balance at 01 April 2021	-	19,435,604	19,435,604
Changes in net assets			
Transfer of own revenue	-	(5,541)	(5,541)
Net losses recognised directly in net assets	-	(5,541)	(5,541)
Deficit for the year	-	(1,734,580)	(1,734,580)
Total recognised income and expenses for the year	-	(1,740,121)	(1,740,121)
Total changes	-	(1,740,121)	(1,740,121)
Balance at 31 March 2022	1	17,695,483	17,695,485

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

4. CASH FLOW Statement

Figures in Rand thousand	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
Grants		1,786,771	877,113
Interest income		1,867	2,296
Other receipts		949	701
		1,789,587	880,110
Payments			
Employee costs		(79,499)	(78,138)
Goods and services		(63,522)	(48,280)
Interest and penalties		(30)	-
Repairs and maintenance		(539,168)	(55,523)
Other payments		(2,731)	(3,634)
		(684,950)	(185,575)
Net cash flows from operating activities	31	1,104,637	694,535
Cash flows from investing activities			
Purchase of property, plant and equipment		(489,187)	(747,802)
Proceeds from sale of assets		131	-
Deposit refunded on borrow pit		120	-
Net cash flows from investing activities		(488,936)	(747,802)
Cash flows from financing activities			
Finance lease payments		(78)	-
Net increase/(decrease) in cash and cash equivalents		615,623	(53,267)
Cash and cash equivalents at the beginning of the year		94,313	147,580
Cash and cash equivalents at the end of the year	9	709,936	94,313

5. STATEMENT OF COMPARISON of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income - (rollup)	1,025	(30)	995	12,469	11,474	#1
Interest received - investment	2,291	(468)	1,823	3,012	1,189	#2
Total revenue from exchange transactions	3,316	(498)	2,818	15,481	12,663	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1,109,398	677,373	1,786,771	1,254,440	(532,331)	#3
Contributions by other entities	-	-	-	153	153	#4
Total revenue from non-exchange transactions	1,109,398	677,373	1,786,771	1,254,593	(532,178)	
Total revenue	1,112,714	676,875	1,789,589	1,270,074	(519,515)	
Expenditure						
Personnel	(80,721)	(2,265)	(82,986)	(80,936)	2,050	
Depreciation	-	-	-	(2,155,668)	(2,155,668)	#5
Impairment loss/ Reversal of impairments	-	-	-	(172,458)	(172,458)	#5
Finance costs and penalties	-	-	-	(30)	(30)	
Repairs and Maintenance	(618,626)	(424,896)	(1,043,522)	(539,296)	504,226	#6
Bad debts	-	-	-	(202)	(202)	
Contractors expenses	-	-	-	(23)	(23)	#7

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
General Expenses	(48,321)	(3,006)	(51,327)	(56,041)	(4,714)	#7
Property, plant and equipment	(361,720)	(247,215)	(608,935)	(578,138)	30,797	#8
Total expenditure	(1,109,388)	(677,382)	(1,786,770)	(3,582,792)	(1,796,022)	
Surplus/(Deficit) for the year	3,326	(507)	2,819	(2,312,718)	(2,315,537)	
	3,326	(507)	2,819	(2,312,718)	(2,315,537)	

5. STATEMENT OF COMPARISON of Budget and Actual Amounts (continued)**Budget on Accrual Basis**

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						

Comments and variance analysis

#1: Other Income: Increase in other income is mainly caused by the reversal of provision that was raised in the previous year

#2. Interest Income: Exceeded budget due to higher bank balance in the last quarter of the financial year.

#3. Government grant: Under expenditure was mainly caused by delays in appointment of service providers for maintenance and repair of flood damaged roads.

#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 and impairment: The entity does not budget for non-cash items such as depreciation and impairment.

#6. Repairs and maintenance: Low spending was caused by delays in the appointment of service providers.

#7. General expenses: High expenditure was caused by increase in legal costs owing to the rising number legal disputes. The expenditure was further increased by increase in communication expenditure as a result of community engagement activities

#8. Property, Plant and Equipment: Underspending was caused by low spending on the roads upgrades which were expected to be completed in the current year.

The overall initial budget of R1.109 billion was increased to R1.786 billion during the year due to approval of roll-over of R427 million from prior financial year and additional equitable share budget of R250 million provided during midyear budget adjustment.

6. ACCOUNTING Policies

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 calculation in respect of the impairment of consumer debtors is based on an assessment of the extent to which debtors have defaulted on payments already due and an assessment of their ability to make payments. This was performed per service categories across all debtor classes. Accordingly, no further credit provisions are required in excess of the present allowance for doubtful debts.

Impairment of non-cash-generating assets

The entity assesses at each reporting date whether there is any indication that an asset may be impaired. The main impairment indicator for the road infrastructure assets is the results of the visual condition assessment. 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.

RAL is providing services to the public of Limpopo and receives transfer payments from the Limpopo Provincial Government to fund its operations. RAL therefore classifies all of its non-current tangible assets as non-cash generating assets.

6. ACCOUNTING Policies (continued)

Provisions and contingencies

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.

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 calculation in respect of the impairment of consumer debtors is based on an assessment of the extent to which debtors have defaulted on payments already due and an assessment of their ability to make payments. This was performed per service categories across all debtor classes. Accordingly, no further credit provisions are required in excess of the present allowance for doubtful debts.

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.

The entity assesses residual values of road infrastructure assets at zero as there is no market for the road infrastructure. Residual values for non infrastructure assets are also assessed at zero as the entity intends to utilise assets until the end of their 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 are 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 de-recognised.

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 de-recognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
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	8 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.

6. ACCOUNTING Policies (continued)

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 de-recognised 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 de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is de-recognised. The gain or loss arising from the de-recognition 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.

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

1.6 Financial instruments

Classification

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 and retentions.

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.

Retentions

Retentions are stated at nominal cost.

Trade and other Payables

Trade and other payable are stated at nominal cost. 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 amortised cost. 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

6. ACCOUNTING Policies (continued)

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.

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.

De-recognition of financial instruments

A financial asset is de-recognised 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 de-recognised 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 de-recognition of the original liability, and the difference in the respective carrying amounts is de-recognised 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.

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.

1.7 Statutory receivables 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. Government grant receivable is classified as a statutory receivable.

Recognition

The entity recognises statutory receivables using the policy on Revenue from exchange transactions.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

6. ACCOUNTING Policies (continued)

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 de-recognised.

De-recognition

The entity de-recognises 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:
 - de-recognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

1.8 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.

1.9 Inventories

RAL's inventories comprise of consumables.

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.

1.10 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets. RAL is providing services to the public of Limpopo and receives transfer payments from the Limpopo Provincial Government to fund its operations. RAL therefore classifies all of its non-current tangible assets as non-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 depreciated replacement cost approach to determine value in use.

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

6. ACCOUNTING Policies (continued)

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.

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.

RAL's revenue is from rental of advertising billboards and application fees for road access.

Measurement

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

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.

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.

6. ACCOUNTING Policies (continued)

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, whichever is earlier.

When government remit grants on a reimbursement 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.

1.16 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.

1.17 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.

1.18 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.

1.19 Irregular expenditure

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

- (a) 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.

1.20 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);

6. ACCOUNTING Policies (continued)

- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

The entity does not have any separately reportable segments.

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 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.24 Standards and interpretations issued but not yet effective

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

Guideline: Accounting for landfill sites - The entity does not have any landfill sites and will not be applying the standard. **Amendments to GRAP 104 on Financial Instruments** - The entity currently impairs receivables when there has not been any payment for 12 consecutive months. The standard will require the entity to estimate the expected losses to determine impairment.

Amendments to GRAP 25 on Employee Benefits - The accounting for termination benefits will be in line with the standard in future.

IGRAP 7: The limit on a defined benefit asset, minimum funding requirements - The entity does not have defined benefit plans and will therefore not be affected by the standard.

IGRAP 21: The effect of past decisions on materiality - The entity currently impairs receivables when there has not been any payment for 12 consecutive months. The standard will require the entity to estimate the expected losses to determine impairment.

7. NOTES to the Annual Financial Statements

2. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand thousand	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3,700	-	3,700	3,700	-	3,700
Buildings	81,065	(33,607)	47,458	81,065	(32,075)	48,990
Furniture and fixtures	5,367	(3,466)	1,901	5,583	(3,460)	2,123
Motor vehicles	1,378	(518)	860	1,368	(394)	974
Office equipment	2,802	(1,463)	1,339	2,579	(1,557)	1,022
IT equipment	7,652	(4,944)	2,708	10,470	(7,337)	3,133
Roads and Bridges	45,605,696	(29,442,725)	16,162,971	44,854,645	(27,122,431)	17,732,214
Roads and Bridges under construction	1,597,267	-	1,597,267	1,776,177	-	1,776,177
Total	47,304,927	(29,486,723)	17,818,204	46,735,587	(27,167,254)	19,568,333

Figures in Rand thousand**Reconciliation of property, plant and equipment - 2022**

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	3,700	-	-	-	-	-	3,700
Buildings	48,990	-	-	-	(1,532)	-	47,458
Furniture and fixtures	2,123	70	(23)	-	(269)	-	1,901
Motor vehicles	974	9	-	-	(123)	-	860
Office equipment	1,022	519	(2)	-	(200)	-	1,339
IT equipment	3,133	465	(96)	-	(794)	-	2,708
Roads and Bridges	17,732,214	755,962	-	-	(2,152,747)	(172,458)	16,162,971
Roads and Bridges under construction	1,776,177	577,074	-	(755,984)	-	-	1,597,267
	19,568,333	1,334,099	(121)	(755,984)	(2,155,665)	(172,458)	17,818,204

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	19,169,666	764,222	-	(2,186,073)	(15,601)	17,732,214
Roads and Bridges under construction	1,840,425	714,890	(771,241)	-	(7,897)	1,776,177
	21,071,555	1,480,370	(771,241)	(2,188,853)	(23,498)	19,568,333

7. NOTES to the Financial Statements (continued)

Figures in Rand thousand	2022	2021
2. Property, plant and equipment (continued)		
Assets with zero carrying amounts		
Cost of assets with zero carrying amounts are follows:		
Roads and Bridges	5,802,690	5,960,771
Assets subject to finance lease (Net carrying amount)		
Office equipment	403	-

Property, plant and equipment pledged as security

No property, plant and equipment has been pledged as security for any liability in the current and previous financial years.

Restrictions on disposal of assets

Roads and Bridges may only be disposed in line with RAL Act

Roads and bridges under construction

Included in the Roads and Bridges under construction is a total of 6 (2021:8) projects with a carrying amount of R1.023 billion (2021:R975.763 million) 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. 2 projects with a carrying amount of R92.239 million (2021:R319.171 million) were halted during their construction phase and no impairment loss was recognised in the current year (2021:R5.547 million).

Figures in Rand thousand	2022	2021
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3. INTANGIBLE ASSETS

	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	1,814	(1,814)	-	1,814	(1,811)	3
Website design	1,661	(1,661)	-	1,661	(1,661)	-
Total	3,475	(3,475)	-	3,475	(3,472)	3

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	3	(3)	-

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	89	(86)	3

7. NOTES to the Financial Statements (continued)

Figures in Rand thousand	2022	2021
4. RETENTIONS		
Infrastructure projects		
Retentions	70,315	67,472
Non-current liabilities	35,206	59,791
Current liabilities	35,109	7,681
	70,315	67,472

5. OTHER FINANCIAL ASSETS**Residual interest at cost**

Returnable Rehabilitation deposit	2,550	2,670
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Other financial assets 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	353	313
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Figures in Rand thousand	2022	2021
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 R399 000 (2021: R145 000)		
7. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Trade debtors	1,454	1,262
Prepayments	659	385
Students and staff bursaries	2,449	2,153
Provision for doubtful debts	(1,389)	(1,187)
Accrual interest	1,246	100
Other debtors	1,247	-
	5,666	2,713

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 12 months past due are not considered to be impaired. At 31 March 2022, trade and other receivables amounting to R24 000 (2021:R0) were past due but not impaired.

The aging of amounts past due but not impaired is as follows:

1 month past due	24	-
Trade and other receivables impaired		
The aging of the receivables impaired is as follows:		
Over 12 months	1,389	1,187

7. NOTES to the Financial Statements (continued)

Figures in Rand thousand	2022	2021
Receivables from exchange transactions (continued)		
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	1,187	934
Provision for impairment	202	253
	1,389	1,187

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	1,786,771	1,366,034
Actual funds received	(1,786,771)	(877,133)
Funds not received	-	(473,818)
	-	15,083
Financial asset receivables included in receivables from non-exchange transactions above		15,083
Total receivables from non-exchange transactions	-	15,083

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:		
Bank balances	709,936	94,313

Figures in Rand thousand	2022	2021
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. FINANCE LEASE OBLIGATION		
Minimum lease payments due		
- within one year	208	-
- in second to fifth year inclusive	352	-
	560	-
less: future finance charges	(145)	-
Present value of minimum lease payments	415	-
Present value of minimum lease payments due		
- within one year	125	-
- in second to fifth year inclusive	289	-
	414	-
It is entity policy to lease office equipment under finance leases.		

7. NOTES to the Financial Statements (continued)

Figures in Rand thousand	2022	2021
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The average lease term was 3 years and the average effective borrowing rate was 22.79%.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

12. PROVISIONS**Reconciliation of provisions - 2022**

	Opening Balance	Transferred to payables during the year	Reversed during the year	Total
Standing time claims due to COVID	31,425	(21,503)	(9,922)	-

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 was still reviewing the claims and the end of 2021. The review has been finalised and confirmed that an amount of R21.503 million is payable to the contractors.

Figures in Rand thousand	2022	2021
13. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade payables	200,151	121,612
Payables - Partnerships	19,038	19,038
13th Cheque	1,010	1,002
Employee accruals	5,293	4,722
Accrued expense	709	652
3rd Party	821	-
Other payables	21,757	241
	248,779	147,267

Other payables include R21.503 million claimed by the contractors for standing time caused by the COVID 19 pandemic as explained in note 12 above.

Aging of trade payables

Current (0-30 days)	197,314	116,120
61-90 days	-	720
Over 90 days	2,837	4,772
	200,151	121,612

14. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Government grants received but not spent	517,248	-
Other payables own revenue - LDPWRI	4,470	1,659
	521,718	1,659

RAL receives provincial maintenance grants and equitable share. Provincial maintenance grant can only be used for the road repair and maintenance. Equitable share can be used for all activities of the entity. Government grants received but not spent by the end of the financial year are surrendered to LDPWRI.

7. NOTES to the Financial Statements (continued)

Figures in Rand thousand	2022	2021
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15. REVENUE

Other income	12,459	986
Interest received	3,012	2,344
Government grants & subsidies	1,254,440	892,196
Contributions by other entities	153	230
	1,270,064	895,756

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

Other income	12,459	986
Interest received	3,012	2,344
	15,471	3,330

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

Taxation revenue**Transfer revenue**

Government grants & subsidies	1,254,440	892,196
Contributions by other entities	153	230
	1,254,593	892,426

16. CONTRACTORS EXPENSES

Contractors expenses	-	31,425
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Contractors expenses relates to amounts claimed by the contractors for standing time caused by the COVID 19 pandemic as explained in note 12 above.

Figures in Rand thousand	2022	2021
17. GAIN ON DISPOSAL OF ASSETS		
The entity disposed redundant non-infrastructure assets with a carrying amount of R121 000 and realised a gain of R10 000.		
18. REPAIRS AND MAINTENANCE		
Land and Building		
Repairs and maintenance	227	461
Motor vehicles		
Repairs and maintenance	47	4
Equipment		
Repairs and maintenance	20	-
Furniture and fittings		
Repairs and maintenance	25	-
Roads and Bridges		
Repairs and maintenance	538,977	55,288
	539,296	55,753
19. OTHER INCOME		
Application fees	668	544
Rental billboards	513	348
Sundry income	1,258	2
Rental of Aerial Space	98	92
Reversal of provisions	9,922	-
	12,459	986

7. NOTES to the Financial Statements (continued)

Figures in Rand thousand	2022	2021
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20. INTEREST INCOME**Interest revenue**

Bank	2,866	2,244
Interest charged on trade and other receivables	146	100
	3,012	2,344

21. GOVERNMENT GRANTS AND SUBSIDIES**Operating grants**

Government grant - Administration	138,389	122,018
Government grant - Infrastructure projects	1,116,051	770,178
	1,254,440	892,196

22. CONTRIBUTIONS BY OTHER ENTITIES

Private sector contributions	153	230
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23. EMPLOYEE RELATED COSTS

Basic	50,733	48,775
Bonus	3,365	-
Medical aid - company contributions	730	733
UIF	184	149
Leave pay provision charge	614	1,438
Travel and housing allowances	17,784	18,297
Other allowances	1,430	260
Post retirement benefit plan -defined contribution	6,096	6,138

Figures in Rand thousand	2022	2021
Employee settlements	-	2,551
	80,936	78,341

24. DEPRECIATION AND AMORTISATION

Property, Plant and Equipment	2,155,665	2,188,853
Intangible Assets	3	86
	2,155,668	2,188,939

25. IMPAIRMENT LOSS

Impairments

Property, plant and equipment	172,458	23,499
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26. INTEREST AND PENALTIES

Finance leases	30	-
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27. PROVISION FOR BAD DEBTS

Contributions to debt impairment provision	202	253
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7. NOTES to the Financial Statements (continued)

Figures in Rand thousand	2022	2021
28. GENERAL EXPENSES		
Internal Audit fees	3,227	-
Marketing and public relations	8,852	7,277
Assessment rates & municipal charges	1,569	1,460
Auditors fees and expenses	5,334	3,839
Bank charges	45	42
Cleaning	444	328
Computer expenses	42	9
Consulting and professional fees	3,902	8,086
Consumables	399	268
Insurance	521	532
Conferences and seminars	599	416
IT expenses	-	2
Magazines, books and periodicals	-	2
Motor vehicle expenses	18	12
Accommodation	796	537
Fuel and oil	58	38
Postage and courier	6	5
Printing and stationery	226	345
Security	1,738	1,617
Subscriptions and membership fees	243	200
Telephone and fax	1,696	1,748
Training	711	50
Subsistence and travel	4,619	2,966
Uniforms	152	-
Licenses	1,248	778

Figures in Rand thousand	2022	2021
28. GENERAL Expenses (continued)		
Catering expenses	33	16
Rentals	1,245	76
Legal expenses	14,918	9,477
Bursaries	777	705
Court settlements	1,377	1,295
Directors remunerations	958	827
Recruitment costs	288	163
	56,041	43,116

Court settlement mainly relates to claims for car damages on our roads due to potholes

29. DE-RECOGNITION OF ROADS AND BRIDGES

De-recognition of roads and bridges	23	7,018
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30. AUDITORS' FEES AND EXPENSES

Fees and expenses	5,334	3,839
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7. NOTES to the Financial Statements (continued)

Figures in Rand thousand	2022	2021
31. CASH GENERATED FROM OPERATIONS		
Deficit	(1,734,580)	(1,532,588)
Adjustments for:		
Depreciation and amortisation	2,155,668	2,188,939
Gain on sale of assets	(10)	-
Provisions	(9,307)	-
Impairment loss	172,458	23,499
Debt impairment	202	253
Movements in provisions	-	31,425
Roads and bridges constructed by other entities	(153)	-
Transfer of own revenue	(2,731)	(3,634)
De-recognition of roads and bridges	23	7,018
Changes in working capital:		
Inventories	(40)	(91)
Receivables from exchange transactions	(1,776)	(715)
Receivables from non-exchange transactions	15,083	(15,083)
Payables from exchange transactions	(7,448)	-
Payables from exchange transactions	517,248	(4,488)
	1,104,637	694,535

Figures in Rand thousand	2022	2021
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32. COMMITMENTS

Authorised capital expenditure

Already contracted for but not provided for

• Roads construction	321,714	545,390
• Roads maintenance and Rehabilitation	1,047,753	315,110
• Roads Asset Management System	78,892	117,597
	1,448,359	978,097

Total capital commitments

Already contracted for but not provided for	1,448,359	978,097
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Authorised operational expenditure

Already contracted for but not provided for

• Property, plant and equipment	37	468
• Other commitments	19,030	29,814
	19,067	30,282

Total operational commitments

Already contracted for but not provided for	19,067	30,282
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Total commitments

7. NOTES to the Financial Statements (continued)

Figures in Rand thousand	2022	2021
Total commitments		
Authorised capital expenditure	1,448,359	978,097
Authorised operational expenditure	19,067	30,282
	1,467,426	1,008,379

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.

33. CONTINGENT LIABILITIES**33.1 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 2022 is R45.618 million (2021: R45.064 million) and R45.302 million (2021: R44.748 million) respectively.

Figures in Rand thousand	2022	2021
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Employment Contracts

Two former employees of the entity have instituted a lawsuit against the entity for defamation of character which threatens his future employability and repudiation of employment contract respectively. The value of the claims and the estimated settlement amount at 31 March 2022 is R46.486 million (2021: R46.486 million) and R14.486 million (2021: R14.486 million) respectively. An amount of R0.879 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 (2021: 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 2022 is R25.470 million (2021: R25.470 million).

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 R88.670 million (2021: R55.574 million) while total settlements at 31 March 2022 are estimated at R87.038 million (2021: R54.121 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 injury caused by collapsed bridge and payment of a fine instituted by the Department of Labour. The total value of these claims and the estimated settlement amounts at 31 March 2022 is R6.682 million (2021: R2.092 million) and R6.682 million (2021: R2.092 million) respectively.

33.2 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 (2021: R64.907 million) from contractors and engineers in order to correct the defects.

7. NOTES to the Financial Statements (continued)

Figures in Rand thousand	2022	2021
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34. RELATED PARTIES**Relationships**

Directors	Refer to members' report note 34
Ultimate controlling entity	Limpopo Department of Public Works Roads and Infrastructure (LDPWRI)
Controlling entity	Limpopo Department of Public Works, Roads and Infrastructure
Shareholder with significant influence	MEC: Limpopo Department of Public Works Roads and Infrastructure (LDPWRI)
Members of key management	Refer to note on Executive Management

Related party balances**Amounts included in receivables (payables) from non-exchange transactions regarding related parties**

Limpopo Department of Public Works Roads and Infrastructure (LDPWRI)	-	15,083
Limpopo Department of Public Works Roads and Infrastructure (LDPWRI)	(521,718)	(1,659)

Related party transactions

Figures in Rand thousand	2022	2021
Own revenue paid to (received from) related parties		
Limpopo Department of Public Works Roads and Infrastructure (LDPWRI)	5,541	3,330
Government grant recognised		
Limpopo Department of Public Works Roads and Infrastructure (LDPWRI)	1,254,440	892,196

Remuneration of Directors and management Executive management

2022

Name	Basic salary	Travel and housing allowances	Bonuses and performance related payments	Medical and pension contributions	Total
K Tulsi (GM: Planning)	1,157	597	96	173	2,023
M Ramaboea (GM: Operations)	1,265	640	99	202	2,206
H Magopa (CFO)	1,229	622	102	196	2,149
J Boshielo (Executive: Corporate Services)	1,325	517	101	195	2,138
S Gamakulu (Executive: Monitoring)	1,157	584	-	185	1,926
K Maphutha (Snr Manager: Risk and Compliance)	895	345	68	136	1,444
T Kekana (Company Secretary)	1,081	419	82	162	1,744
	8,109	3,724	548	1,249	13,630

7. NOTES to the Financial Statements (continued)

Figures in Rand thousand				2022	2021
2021					
Name	Basic salary	Travel and housing allowances	Medical and pension contributions	Total	
K Tului (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 Boshelo (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	
T Kekana (Company Secretary)	1,074	417	161	1,652	
	7,989	3,666	1,231	12,886	

Figures in Rand thousand	2022	2021
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35. DIRECTORS' EMOLUMENTS

Non-Executive Directors

2022

	Emoluments	Total
M.S. Ralebipi (Chairperson)	121	121
W.N.G. Moleko (Board Member)	97	97
T.M. Ramabulana (Board Member)	99	99
K.B. Marota (Board Member)	87	87
S.R. Mushwana (Board Member)	80	80
	484	484

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

7. NOTES to the Financial Statements (continued)

Figures in Rand thousand	2022	2021
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Executive Director**2022**

	Salary	Performance Bonus	Total
G.M. Maluleke (CEO)	3,222	160	3,382

2021

	Salary	Total
G.M. Maluleke (CEO)	3,202	3,202

Audit and Risk Committee Members**2022**

	Emoluments	Total
M. Mokoka (Chairperson)	115	115
Z. Samsam (Member)	66	66
B. Mutheiwana (Member)	66	66
N. Skeepers (Member)	71	71
	318	318

Figures in Rand thousand	2022	2021
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

36. PRIOR PERIOD ERRORS

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

Irregular expenditure for the prior year has increased by R23 million to R4.786 billion due to failure to follow the SCM processes.

The replacement cost of gravel roads that were recorded at zero cost in the asset register was determined in the current year resulting in the increase in cost and accumulated depreciation in 2020 financial year and depreciation in the 2021 financial year. Some assets were reported as both paved and unpaved road layers. Furthermore, two bridges were misclassified as paved roads in the asset register. This has been corrected in the current year.

7. NOTES to the Financial Statements (continued)

Figures in Rand thousand	2022	2021
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The effects of the correction of the prior year errors are as follows:

Statement of financial position - extract

	Comparative figures previously reported	Effect of the error	After correction
Property, plant and equipment	18,291,580	1,276,753	19,568,333
Accumulated surplus	(18,158,850)	(1,276,753)	(19,435,603)
Total	132,730	-	132,730

Statement of financial performance - extract

	Comparative figures previously reported	Effect of the error	After correction
Depreciation and amortisation	(1,863,481)	(325,458)	(2,188,939)

Figures in Rand thousand

2022

2021

37. 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	2022	2021
Receivables from exchange transactions	5,666	2,713
Non-current receivables	2,550	2,670
Cash and cash equivalents	709,936	94,313

7. NOTES to the Financial Statements (continued)

Figures in Rand thousand	2022	2021
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Market risk

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:

	2022	2021
Receivables from exchange transactions	5 666	2 713
Cash and cash equivalents	709 936	94 313

Liquidity risk table

2022	No later than one month	Later than one month	Due in one to two years	Due to two to three years	Due in three to four years	Total
Payables from exchange transactions	223,438	25,341	-	-	-	248,779
Payables from non-exchange transactions	517,248	4,470	-	-	-	521,718
Retentions	-	35,109	35,206	-	-	70,315
Provisions	-	-	-	-	-	-

Figures in Rand thousand					2022	2021
	No later than one month	Later than one month	Due in one to two years	Due to two to three years	Due in three to four years	Total
2021						
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	-	31,245	-	-	-	31,245

38. 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. While COVID 19 had affected operations of the projects, it has not affected the entity's ability to continue as a going concern.

39. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance as previously reported	11,860	11,860
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Fruitless and wasteful expenditure relates mainly to interest and performance bonus paid. The incidents are currently under investigation. Appropriate action will be taken based on the results of the investigation.

7. NOTES to the Financial Statements (continued)

Figures in Rand thousand	2022	2021
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40. IRREGULAR EXPENDITURE

Opening balance as previously reported	4,785,562	4,029,248
Opening balance as restated	4,785,562	4,029,248
Add: Irregular Expenditure - current	674,668	743,050
Add: Irregular Expenditure - prior period	-	13,264
Closing balance	5,460,230	4,785,562

Incidents/cases identified in the current year include those listed below:

Irregular expenditure amounting to R4.786 billion is under investigation. Goods and services relating to irregular expenditure transactions have been received.

SCM process not followed	320,172	512,229
SCM supporting documents not available	-	1,559
Projects not budgeted for per Vote 9 table B5	354,496	229,262
	674,668	743,050

EPWP labourers holding Mmileng (RAL's quarterly newsletter) on Operation Thiba Mekoti.

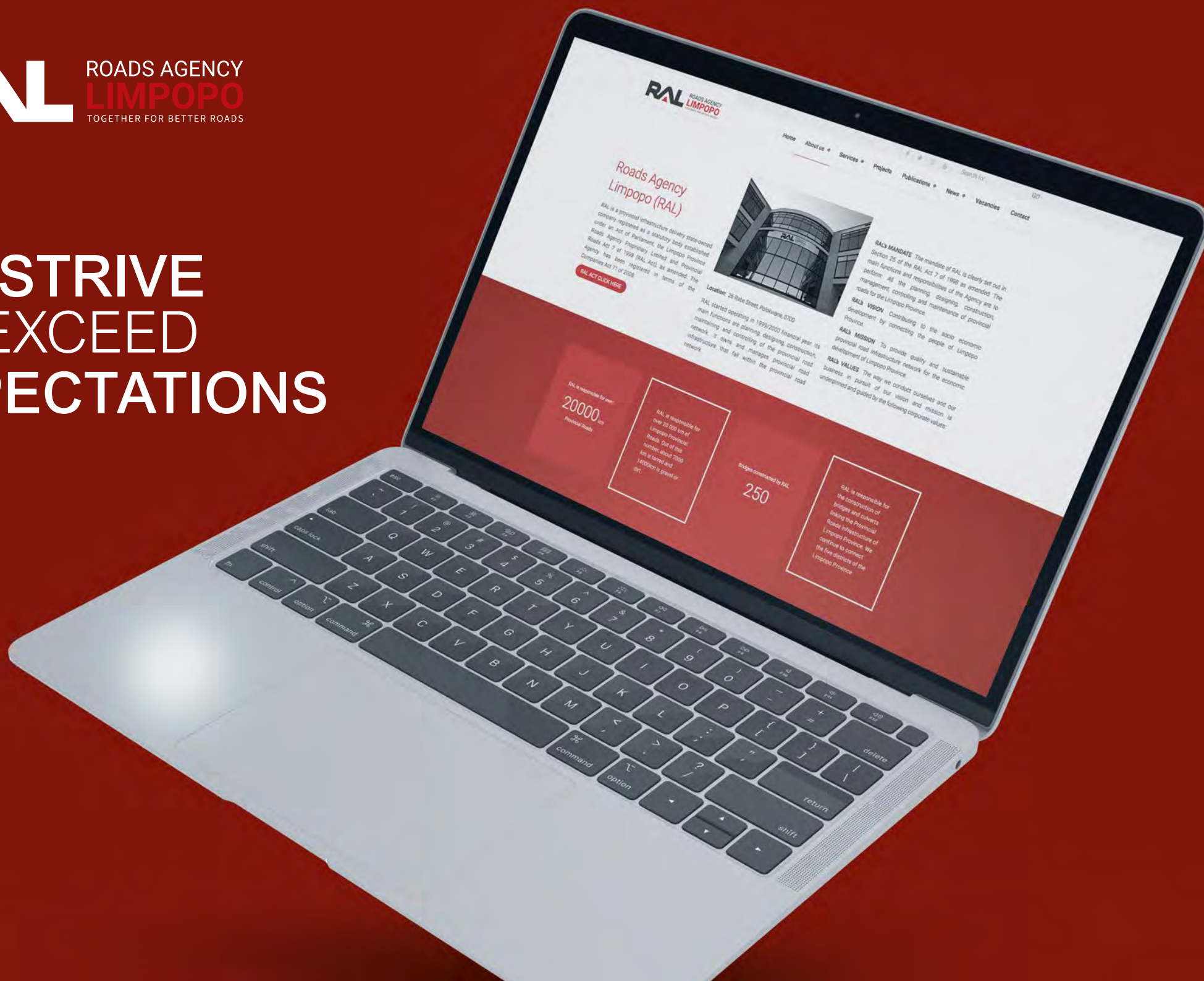


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 26 Rabe Street Polokwane 0700

 +(27)15 284 4600

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