ROADS AGENCY
LIMPOPO
TOGETHER FOR BETTER ROADS

ANNUAL REPORT 2022/2023

ROADS AGENCY LIMPOPO

TOGETHER FOR BETTER ROADS

Achievements for the 2022/23 Financial Year

141
Ongoing projects in various stages of construction

134
Projects at planning and design stage

33
Maintenance and flood damage repairs projects completed

2
Upgrading projects completed

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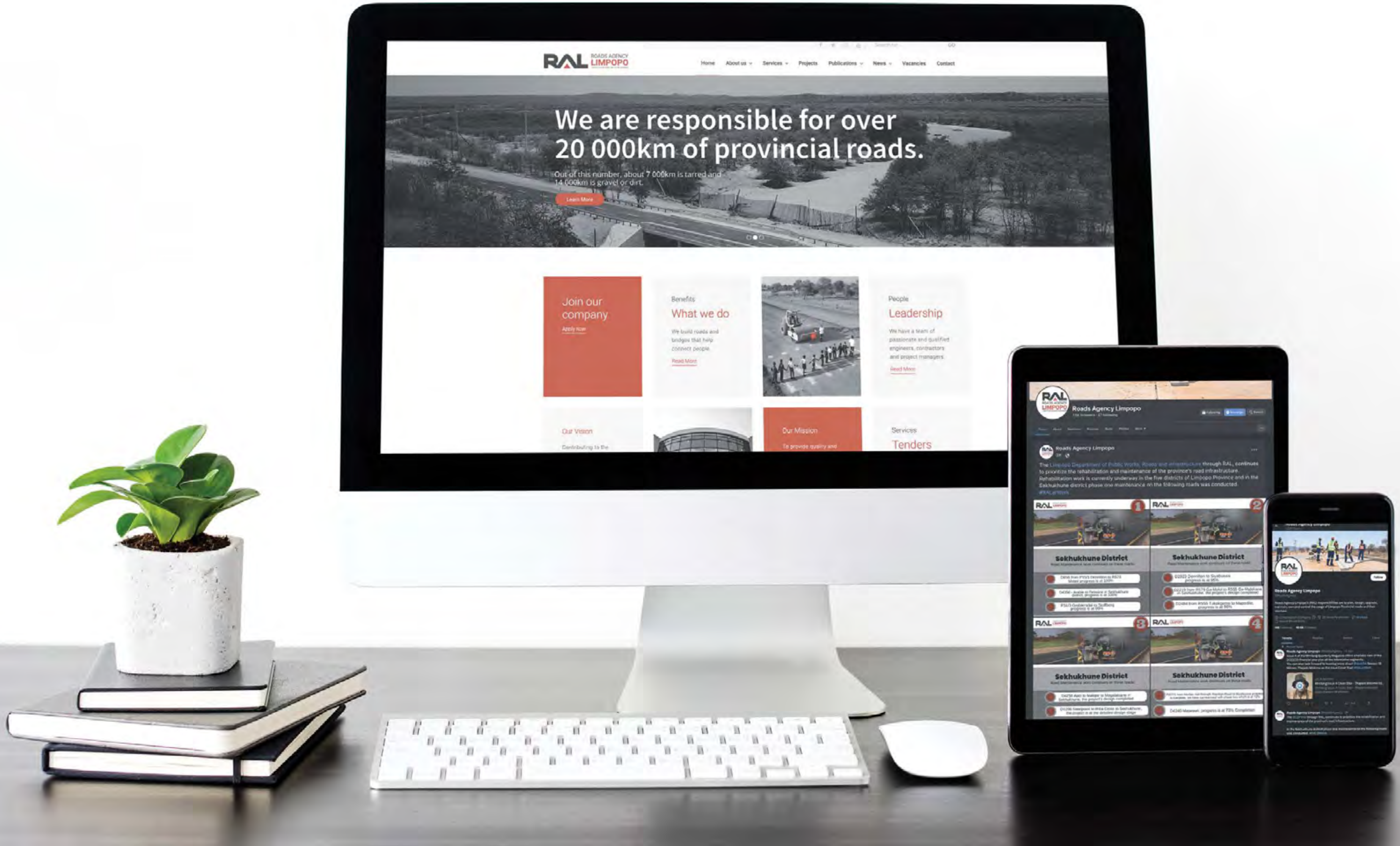

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In the 2022/23 financial year, RAL successfully rehabilitated road P94/2 from R521 to Pondrift, improving accessibility for travelers from South Africa to Southern African Development Countries (SADC) like Zimbabwe and Botswana.

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 Regulations
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 2022 to 31 March 2023, outlines RAL's mandate, its strategic focus areas and a summary of how the Agency implemented 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 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

EFFICIENCY
We will go the extra mile in serving our communities

TRANSPARENCY
We are transparent in both our internal and external business processes

DIVERSITY
We value and embrace diversity within the work context

RELIABILITY
We offer reliable, safe and economic road infrastructure

ACCOUNTABILITY
We remain accountable to all our stakeholders and the environment

EXCELLENCE
We strive to exceed expectations

TEAMWORK
We work together for better roads

4. Foreword by the MEC

In considering the trends and commitments from national government, the Limpopo government has doubled its commitment to provide high-quality, enduring road infrastructure. Road Infrastructure has in the recent past taken the centre stage as more people have called on government to accelerate the delivery of road infrastructure.

The National Department of Transport (NDoT) launched Operation Vala Zonke last year as a nationwide action campaign in response to concerns of potholes, which continue to make driving and commuting for our people unpleasant. This initiative was made relevant to the province where it was adopted as Operation Thiba Mekoti Ditseleng. We continue to double our routine and preventative maintenance initiatives in alignment with the national government objectives.

Another driving project is the Letsema Ditseleng initiative, which was initiated in the fiscal year 2021/22. This was a campaign that encouraged all road building efforts to focus on employment creation through labour-intensive programmes. As we present the 2023/24 Annual Report, we reaffirm our commitment to assisting in the eradication of poverty, unemployment, and inequality, as specified in the National Development Plan (NDP) 2030 and the 6th Administration's goals.

We strive to empower communities by delivering road infrastructure, addressing the triple concerns of poverty, inequality, and unemployment that have been exacerbated by the Covid-19 pandemic. In the projects that we undertake in various communities, we prioritise the employment of local labourers and the empowerment of Small, Medium and Micro Enterprises (SMMEs) to ensure that the communities benefit from our projects. During the year 2022/23, we empowered 319 SMMEs and employed 3, 343 local labourers in our upgrading and maintenance projects, further contributing to community development.

Roads Agency Limpopo (RAL) delivers road infrastructure under the Limpopo Department of Public Works, Roads and Infrastructure (LDPWRI), which continues to play a critical role in day-to-day activities of our people. Our initiatives are targeted at resolving community concerns caused by their dissatisfaction relating to poor roads conditions.

The demand for roads and the outcry from Limpopo communities continues to be negatively affected by budgetary constraints. The Agency can only build a limited number of kilometres every financial year using the yearly fiscus. This challenge demands that we reinforce our Strategic Partnership initiatives aimed at guaranteeing that the private sector aids government in the construction of the provincial road network. The construction of the Steel Bridge project in Ga-Malekane, within Fetakgomo-Tubatse Local Municipality in Sekhukhune District, is an illustration of the potential milestones that can be reached through cooperation with the private sector. The reliance on the fiscus alone has shown us that only little impact can be achieved; so, collaboration with the private sector is essential.

Community protests and disruptions on RAL projects have decreased considerably owing to the improved stakeholder and communications efforts. The units will build on the successes of the previous year to ensure that our projects run smooth and get to be completed on time. Plans are in place to strengthen stakeholder management and communications

Hon. Nkakareng Rakgoale
MEC: Department of Public Works, Roads and Infrastructure

efforts to ensure that there is no space for misinformation about the work of the Department, through RAL, in communities.

As government, we plan to assist in communicating with communities and other stakeholders to alert them of the risks in stopping projects based on grievances that can be addressed if they were to approach us. The Premier of the province, Honourable Chupu Stanley Mathabatha, spoke at length about the importance of road infrastructure and its benefits on economic recovery and growing the Limpopo economy. As the department, we take our cue from the premier's sound leadership.

In conclusion, I extend my heartfelt gratitude to the dedicated staff of RAL for their commitment and support in advancing government's road infrastructure objectives. Your determination is crucial to our success.

Nkakareng Rakgoale
MEC: Department of Public Works, Roads and Infrastructure

5. Statement by the Board Chairperson

Roads Agency Limpopo (RAL) continues to change the lives of the people of Limpopo.

The commitment to connect the residents of Limpopo to the rest of the African states remains one of the priorities for the Board of directors. When we took over as the Board, we took a conscious decision that our work should be visible through the positive impact we create by empowering Small, Medium and Micro Enterprises (SMMEs), local labourers and job creation.

Our responsibility to see all the districts of the province equitably serviced cannot be overemphasised. As we continue to plead with government for more funds, the strategic partnership adopted by the Agency is paying great dividends. We have seen more and more strategic partners coming forward to join hands with RAL.

The demand for quality road infrastructure continues to grow at a high rate, making it strenuous for the available government funding. Given the scarce resources, RAL has partnered with mining, tourism and agricultural companies to augment the funding allocated annually by the Limpopo government. Through the strategic partnership, RAL has already raised more than R700 million, tarred and maintained considerable roads in the province.

These strategic partners' essential contribution for the enhancement of road infrastructure in the Limpopo Province goes a long way towards aiding the province's economic development. As the Board of Directors, we would like to encourage more private sector partners to complement our efforts.

Amongst the notable collaborations secured in the year under review, is the partnership between RAL and eight mining companies in the Sekhukhune District for the construction of the Steel Bridge and Northam Platinum Limited in the Thabazimbi Local Municipality (Waterberg District), including a number of municipalities in the province. In the view of the Board, the growing partnerships is a clear demonstration of RAL's commitment to fulfilling its mandate and addressing the demand for road infrastructure. The Board is fully aware that, even with the strategic partnerships bearing fruit, the demand for road infrastructure still exceeds the available funds.

In his 2023 SOPA, Limpopo's Premier, Hon. Chupu Stanley Mathabatha, while emphasising the important role played by infrastructure development, acknowledged the positive impact created by the strategic partnerships between RAL and the private sector by calling for more partners to provide support.

As RAL, we also commit ourselves to availing our engineering and technical know-how in assisting other spheres of government to improve efficiency in the province. In the 2022/23 financial year, we signed a Memorandum of Agreement (MoA) to address the dilapidated road infrastructure in 11 municipalities. This initiative followed a successful pilot project completed in the Mogalakwena Municipality in the 2021/22 financial year.

We continue to exercise our oversight as the RAL Board to ensure that all issues raised by the Auditor General of South Africa (AGSA) are resolved. It is our aspiration and determination for RAL to achieve a clean audit in the fiscal year 2023/2024.

Mr Matome Ralebipi
Chairperson: RAL | Board of Directors

The board continues to provide governance through relevant committees such as Audit and Risk, Social and Ethics and Contracts and Planning. Let me take this opportunity to congratulate management for achieving and maintaining yet another unqualified audit opinion for the year under review. Though the Board would have loved to achieve a clean audit, we note considerable progress made by management in addressing the many thorny deficiencies identified by the Board, Auditor General and Internal Audit. Once more, well done to management, led by the Chief Executive Officer, Mr Gabriel Maluleke. We urge management to prioritise addressing all matters emphasised by AGSA.

Key to RAL's mandate is the task of stimulating Limpopo's economic development through provision of an enabling road infrastructure. The Agency is called upon to plan, build, maintain, manage, and control the province's road network. Critical to this mandate is the need to continue to create jobs and improve economic activities that will in turn positively impact the socio-economic status of the residents.

We are grateful to be guided by our political principal, Honourable Mme Nkakareng Rakgoale, MEC for Limpopo Department of Public Works, Roads, and Infrastructure (LDPWRI), who advocates for efficient service delivery and full spending on allocated funds. Our focus remains on creating value for the people of Limpopo and the development of the province under her leadership. Let me express my appreciation on behalf of the Board for the continuous efforts made by the RAL personnel in ensuring that the Agency continues to effectively serve the people of Limpopo.

Mr M.S Ralebipi
RAL Board Chairperson

6. Overview by the Chief Executive Officer

In the 2022/23 financial year, Roads Agency Limpopo (RAL) witnessed a considerable number of significant achievements in terms of implementation of road infrastructure projects within the five districts of the Limpopo Province.

As we reflect on the past financial year, it is important for all the stakeholders to acknowledge the efforts we continue to make beyond building and maintaining roads but also in improving the lives of Limpopo residents. A key element to our mandate is to ensure that all the districts in the province are serviced in accordance with their needs for road infrastructure and available funds. We continue to be guided by the strategy of the provincial leadership to ensure that our rural communities are not left out from the mainstream economy.

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 Roads Agency Limpopo which includes the audited annual financial statements and performance information for the year ending 31 March 2023. It is with great honour that on behalf of all stakeholders, including the employees of RAL and the Board that we submit this Annual Report to the Limpopo Legislature, through our executive authority, the MEC for Limpopo Department of Public Works, Roads and Infrastructure (LDPWRI): Honourable Mme Nkakareng Rakgoale.

This Annual Report represents outputs in accordance with the pre-determined objectives contained in the Annual Performance Plan of 2022/23 as approved by the Board of RAL and tabled in the Limpopo Legislature by the MEC for LDPWRI. It also presents the organisational performance of RAL during the third year of the five-year strategic plan for the period 2020/21-2024/25, and towards the end of the 6th administration of the Limpopo Province.

INFRASTRUCTURE DELIVERY

During his 2023 State of the Province Address (SOPA), the Honourable Premier of Limpopo, Mr Chupu Stanely Mathabatha emphasised the role played by quality road infrastructure in the province. Reflecting on the achievements made in the previous financial year, he outlined a clear plan on what the province would do in terms of road infrastructure implementation, steered by the Honourable MEC for LDPWRI, Mme Rakgoale and the Board of Directors, who would be at the forefront of this important assignment.

At the end of the 2022/23 financial year, RAL had 197 projects that were in various phases. These included upgrading projects in construction phase (23) and design phase (43), flood damage projects (5), special bridge construction (1), preventative maintenance in construction (83), and preventative maintenance in design (42). Through the MEC's office, we are doing our best, to request more funds so that all roads requiring upgrading, from gravel to tar, may receive attention in the near future.

In addition to the preventative maintenance projects, about 33 of the 50 projects that were undertaken in the year under review have been completed, costing R660 million. The

Mr Gabriel Maluleke
Chief Executive Officer

remainder are majorly over 86% complete. The beneficiaries of these roads have since hailed the quality and importantly highlighted how the new roads have enhanced their travelling experience, thereby making their lives function easier.

In all the road projects aimed at enhancing the travel experiences for the Limpopo community, there are additional benefits in the form of employment opportunities and sub-contracting for local Small, Medium, and Micro Enterprises (SMMEs). During the reviewed year, these projects collectively employed 3,344 community members, with a total expenditure of R42 million towards their wages. Furthermore, 319 SMMEs were engaged through sub-contracting, with an expenditure of R31 million.

OUR PEOPLE

Following the lifting of the moratorium on filling of positions, the Agency has made considerable strides in filling most of the critical positions required to enable RAL to operate optimally. In the previous financial years, the Agency has been operating with less than 60 percent of its required staff capacity.

Despite this state of affairs, the Agency has worked hard to achieve over 50 percent of its set targets. By the end of the financial year, most of the critical positions were filled, inclusive of the position of the Executive Manager: Engineering, as well as other strategic positions.

Through the recruitment of more staff, the entity has performed exceptionally well compared to the immediate preceding years. It is for this reason that I express my utmost appreciation to the RAL staff at all levels for their continued commitment to the mandate at hand.

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 Public Finance Management Act (PFMA), the Enterprise Risk Management Framework, as well as the Treasury regulations. The Auditor General has noted certain findings relating to the annual financial statements and performance information. We have taken 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, whose findings and comments have been acknowledged. We undertake to implement corrective plans to address them.

OUR STRATEGIC PARTNERS

In the year under review, we launched one of the flagship projects for the rehabilitation of the Steel Bridge and construction of a new double two lane concrete bridge following a strategic partnership between RAL and eight mining companies within the Sekhukhune District. The Premier of the Province, Hon. Chupu Stanley Mathabatha remarked on this significant infrastructure development as one of its own kind, further noting that upon its completion, it will change the economic landscape of the Steelpoort community.

We continue to work hard to solicit more strategic partners to help us augment the current resources at our disposal in order to fast-track the province's road infrastructure delivery. More potential partners are expressing their appetite for joint infrastructure development where we also signed a new Memorandum of Agreement (MoA) with Northam Platinum Mine in the Thabazimbi Local Municipality to upgrade road D2357 and repair the low-level bridge that was washed away during floods.

In our commitment to enhance the Limpopo road network, we continue to maintain our collaborative relationship with South African National Roads Agency Limited (SANRAL). During the year under review, we have collaborated with SANRAL to sign a Memorandum of Agreement (MoA) for the construction of a new road interchange leading to the St Engenas Zion Christian Church (ZCC) in Boyne, under the Polokwane Local Municipality. We anticipate that the successful completion of this project will contribute to a decrease in road accidents and generate employment opportunities for the communities involved.

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

OUR STAKEHOLDERS

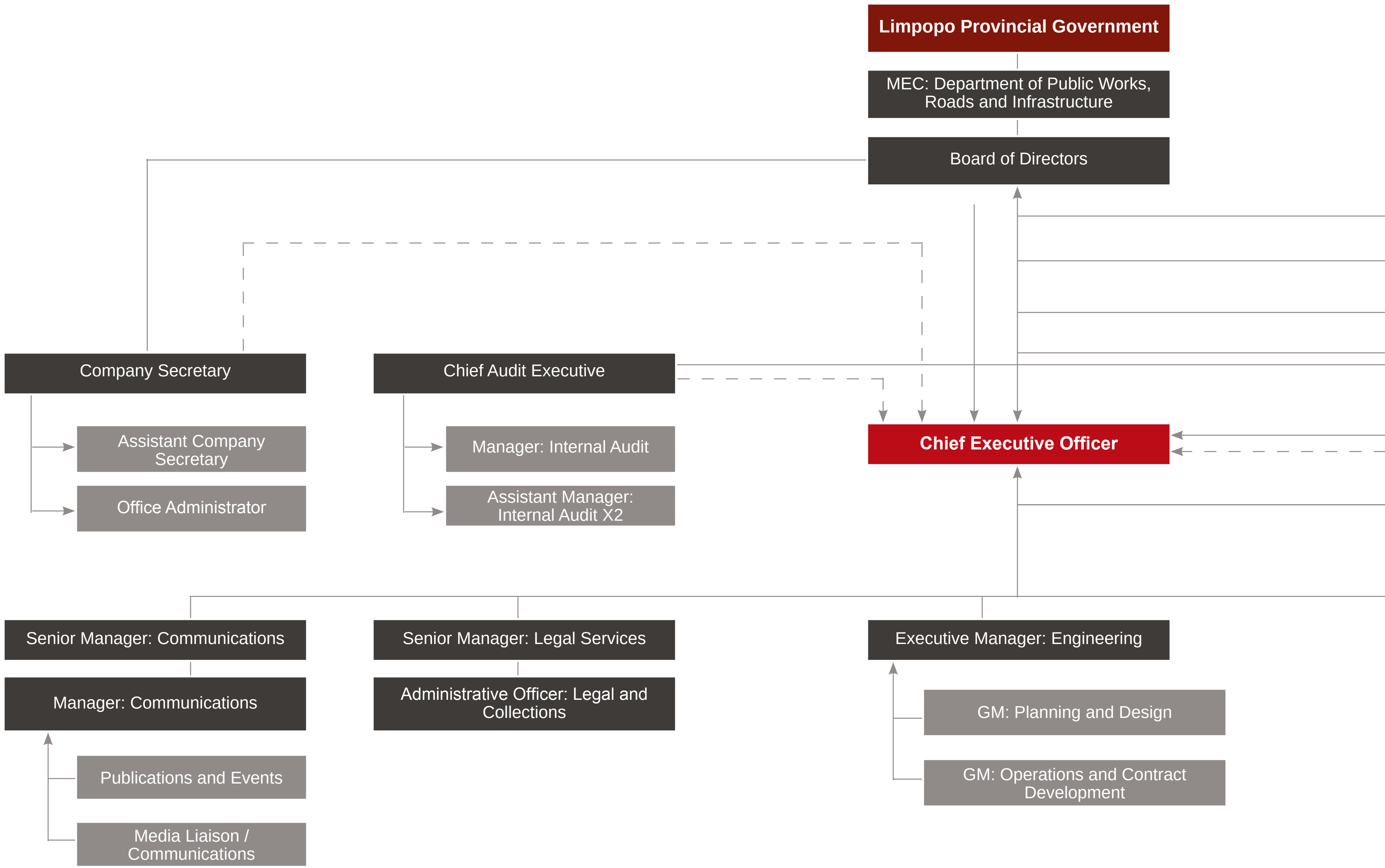
As a service delivery agent of the provincial government, we extend our gratitude for the support we receive from the provincial government, which oversaw the MoA activated in the year under review, further ensuring that RAL assists municipalities with maintenance of streets that fall within their jurisdiction. Our sincere gratitude also goes to communities, which are the primary beneficiaries of the road infrastructure delivery. We acknowledged their cooperation and understanding of the context within which we operate including the limited resources in our road infrastructure delivery system to do our work as RAL. We look forward to their meaningful engagements as we continue to look for solutions to address the extensive backlog in the province's road infrastructure.

I speak for all of us at RAL, particularly the management in expressing our appreciation for the continued support received from Honourable MEC Rakgoale. Her leadership together with that of the Board of RAL, under the guidance of the Chairperson, Mr Matome Ralebipi is our source of inspiration that guides us as we do our work. It is also worth acknowledging that the men and women within RAL have been hard at work to ensure that our annual targets are met.

Gabriel Maluleke
Chief Executive Officer

RAL Chief Executive Officer, Mr Gabriel Maluleke actively supported the "Operation Thiba Mekoti Ditseleng" initiative during the Mopani District's leg of the province's wide launch of the campaign in the 2022/23 financial year.

7. Approved Oranisational Structure



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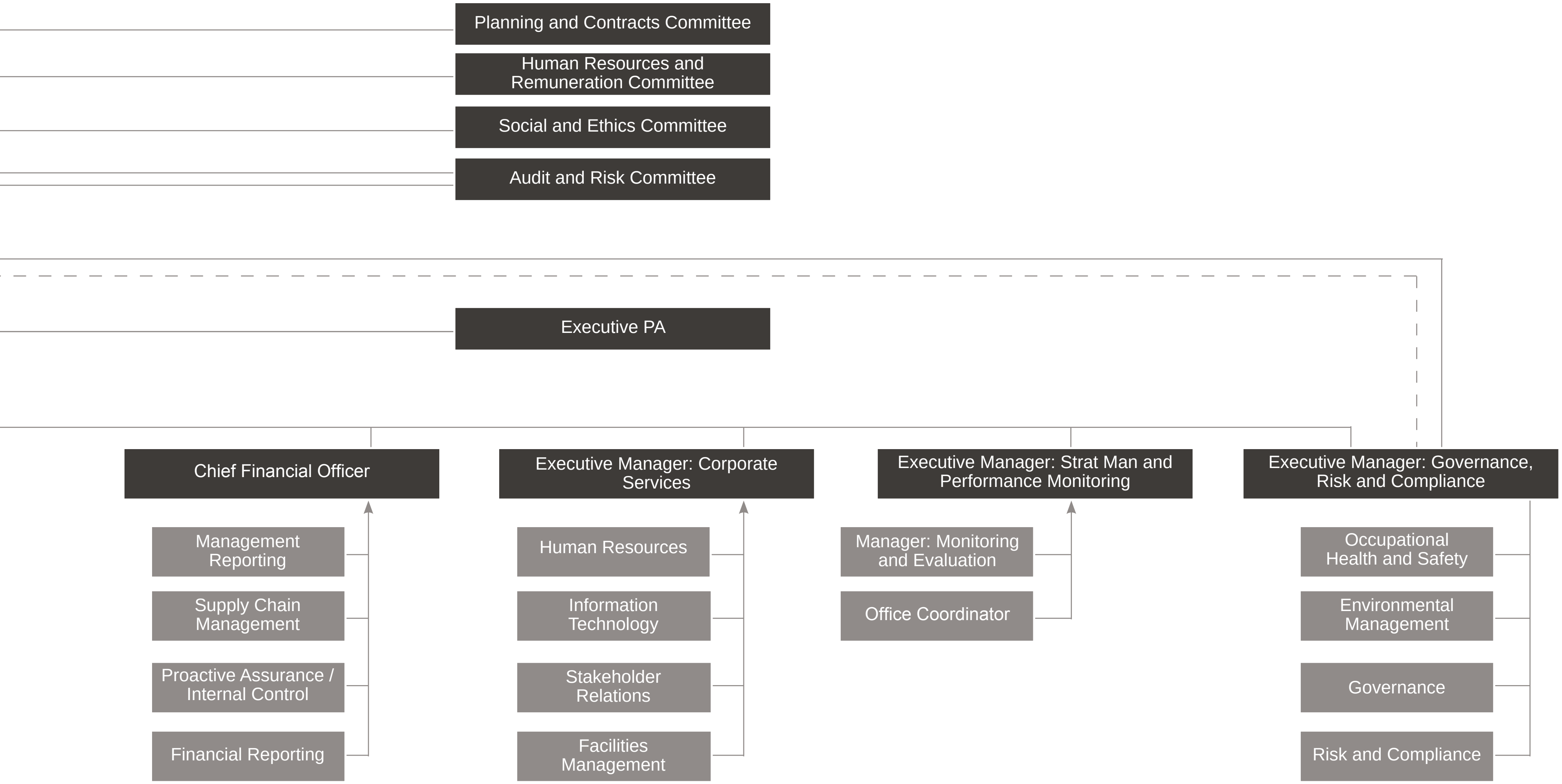


8. RAL Shareholder and Board of Directors

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

Mr M. Phukuntsi
Board Member

Ms N.A Moloisi
Ex Officio Director

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

MEC for LDPWRI and RAL Shareholder Representative, Mme Nkakareng Rakgoale with the RAL Board of Directors and Executive Management during the 2022/23 financial year Annual General Meeting to enhance governance processes in the Agency.

Road D4268 in Sekhukhune is among the 33 preventative maintenance projects successfully completed during the 2022/23 financial year.

PART B PERFORMANCE INFORMATION

1. Situational Analysis

1.1 Service Delivery Environment

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

The 2022/23 financial year marked the third year of the five-year Medium-Term Strategic Framework period ending in 2024-2025. During the financial year under review, the province and the country is grappling with the devastating effects of the energy crisis. The 2021–2023 global energy crisis began in the aftermath of the COVID-19 pandemic in 2021, with much of the globe facing shortages and increased prices in oil, gas, construction costs and electricity markets. Higher energy prices pushed families into poverty, forced some factories to curtail output or even shut down, and slowed economic growth.

The report issued by Statistic South Africa in the last Quarter of 2022, shows a decrease in unemployment rate in South Africa. This shows some signs of recovery as the country has been confronted with the triple challenges of poverty, unemployment and inequality. The high unemployment was caused by low economic growth that in turn resulted in the long-term decline in investment. During 2022, the South African economy benefited from clear and stable macro-economic policy framework, strong commodity prices, and better than expected economic recovery. However, the growth was affected by frequent power cuts, increase in fuel prices, poor condition of infrastructure, inefficient network and high cost of doing business.

As a government entity delivering critical road infrastructure services to the people of Limpopo, RAL has faced many impediments which were forced upon by the energy crisis and high unemployment rate. 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. In support of employment stimulus to create jobs and support livelihoods, RAL has taken extraordinary measures to empower SMMEs to grow and create new job opportunities through the implementation of its projects.

The 2022/23 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 2022/2023 financial year:

The new Preferential Procurement Policy Framework Act: Regulations, 2022, which was promulgated in January 2023, 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. A key difference between the PPR 2017 and the new 2022 Regulations concerns the application of pre-qualification criteria. Whereas the PPR 2017 provides that an organ of state may apply pre-qualification criteria "to advance certain designated groups", which includes black people, women, persons with disabilities, and small enterprises; the 2022 Regulations no longer provide for the use of pre-qualification criteria. An important exclusion from the 2022 Regulations is local content requirements. However, it is likely that local content will be included in the anticipated Public Procurement Bill, which is in development by National Treasury and should be introduced in Parliament in 2023.

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 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 2022/23 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 2022 to 31 March 2023, a total of 27 targets were set. Out of these targets, 21 targets were achieved, and 6 targets were not achieved.

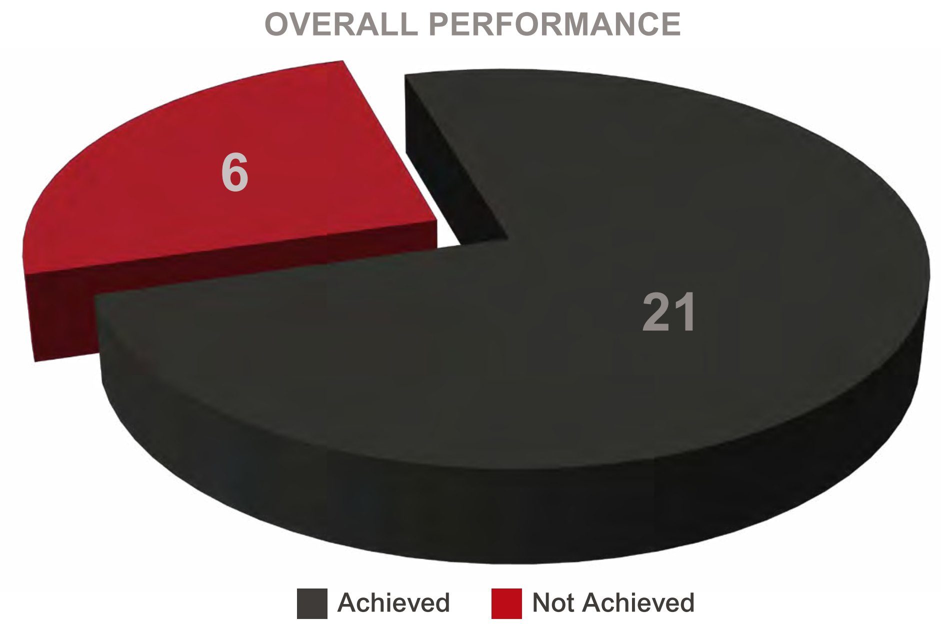
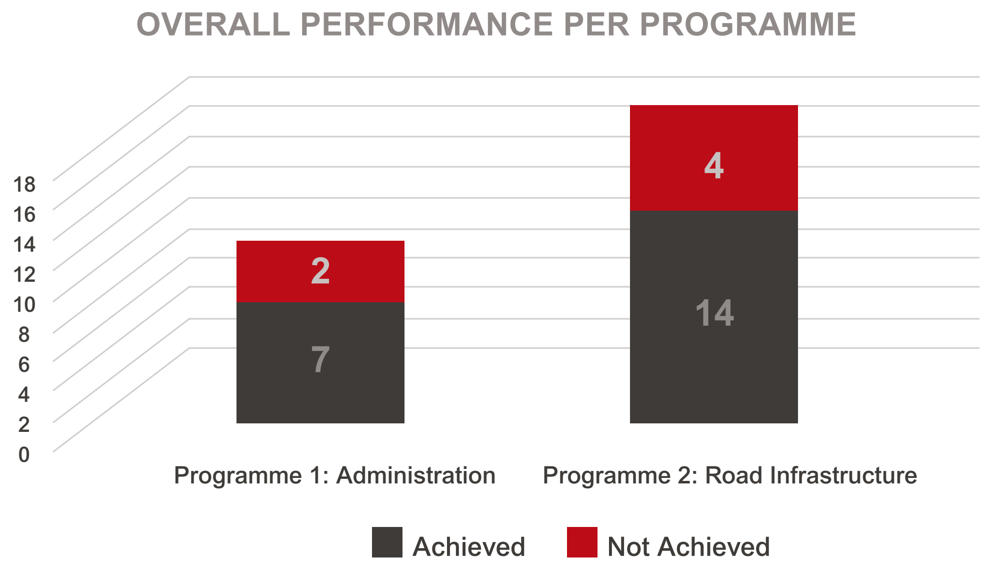


Figure 1: Overall Performance for the year

The entity's overall performance is at 78% for the year. This was mainly caused by the under-performance of various targets under programme 2. Remedial actions were developed to improve performance under this programme in the next financial year, which includes amongst others, the appointment of contractors and consultants to execute both upgrades and maintenance projects.

Programme 1 for the year had 9 targets, 7 targets were achieved, while 2 targets were not achieved. This translates to 78% performance against the target. However, the two targets mentioned as not achieved are the implementation of the audit action plan and clean audit opinion. The remedial action for these two targets includes the development of the audit action plan earlier in quarter two of the next financial year (2023/2024) and ensure that the action plan is fully implemented before the end of the 2023/2024 financial year end. This will ensure that the entity achieves a clean audit opinion.

Programme 2 for the year had 18 targets, only 14 targets were achieved and 4 were not achieved. This translates to 78% performance against the target. Remedial actions were developed to improve performance under this programme which includes amongst others, the appointment of contractors and consultants to execute both upgrades and maintenance projects.



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 assessment workshops conducted	1	1	**Achieved**	None	None, Operational Task
Sub-Programme: Internal Audit						
1.3	Number of Internal Audit Annual Plans 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	**Not Achieved**	Develop and implement an audit action plan	None, Operational Task

1.5	% of AGSA reported weaknesses rectified	100 %	67%	**Not achieved:** This is due to the fact that audit action plan was not fully implemented due project taking longer to complete and review of HR policy not yet finalised.	Develop and implement an audit action plan	None
1.6	% of budget spent on infrastructure	100% of the infrastructure budget spent	100%	**Achieved**	None	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%	100%	**Achieved**	None	None, Operational Task
Sub-Programme: Office of the CEO						
1.8	Amount secured from private sector partners (R' m)	R130 000 000	R242 000 000	**Over-Achieved:** The over achievement is due to RAL'S extensive engagements with private sector to fund provincial road maintenance and upgrades through the Premiers Economic Growth Advisory Council Technical Working Group.	None	None, Operational Task
Sub-Programme: Human Resources						
1.9	Number of employees trained	80	213	**Over-Achieved:** Total number of 213 employees were trained as members of RAL's procurement committees were trained on SCM legislations to prepare for the new financial year.	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	Road Asset Management Plan (RAMP) report approved	1 Report approved	1 Report approved	**Achieved**	None	None, Operational Task
2.3	Number of kilometres of surfaced roads visually assessed as per applicable TMH manual	3 086	6 657	**Over-Achieved:** RAL focused on doing maintenance and rehabilitation of the paved network in the current financial year. The assessments were done for the full network to see the impact of the interventions.	None	None, Operational Task
2.4	Number of kilometres of gravel roads visually assessed as per applicable TMH manual	6 958	6 985	**Achieved**	None	None, Operational Task

Sub-Programme: Construction and Operations						
2.5	Number of square metres of surfaced roads rehabilitated	1 110 000	1 163 611	**Over-Achieved:** During the dry season the entity accelerated the rehabilitation of surfaced roads to ensure that the impact of inclement weather does not affect the achievement of the target. The acceleration strategy resulted in over-achievement of the target. In addition, some of the new projects for the new year started in March in preparation for the new year, this added more rehabilitation metres in the current year. This was done to ensure that RAL is ready to execute projects for the new year.	None	None, Operational Task
2.6	Number of square metres of surfaced roads resurfaced	470 000	1 303 028	**Over-Achieved:** During the assessment and investigation of the roads, it was found that most roads base layers were in a good condition and required only a reseal action, which is relatively a quick activity to implement.	None	None, Operational Task
2.7	Number of kilometres of gravel roads upgraded to surfaced roads	40	8,48	**Not Achieved:** The annual target for upgrading 40 kilometres of gravel roads to surfaced roads was not achieved. The project that was planned to contribute towards the target was Project T866, a strategic partnership project with Anglo American Platinum (AAP). The funds on the project were exhausted and RAL sent a request for additional funds to AAP, which is currently under consideration by their investment review committee. Additionally, on project T652c, the contractor had a slow progress due to inclement weather in the region. The new upgrade contractors that were handed over towards the end of Q3 was also affected by the inclement weather in Q4 which prevented them from executing these projects as planned.	The upgrade projects that were awarded at the end of Q3 are now in progress. It is also expected that the funds for T866 will be approved in Q1 of 23/24 financial year. As a result of the above, the targets for the new financial year will be achieved. Some of the budget was utilised on designs for new future upgrade projects.	None, Operational Task

2.8	Number of bridges completed	2	2	**Achieved**	None	None, Operational Task
Sub-Programme: Stakeholder Management						
2.9	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	886	437	**Not achieved:** Phase 1 of rehabilitation projects were mostly completed in Q2. Phase 2 projects were handed over during Q3 and commenced in Q4. In the beginning of Q4, there has been inclement weather that impacted works in January and February months. During that time, limited works were done on the projects resulting in limited construction works for the FTE's. The other contributing factor is that maintenance projects are short in duration and contribute less towards the FTE's. For a job opportunity to qualify as an FTE, the labourer needs to work for more than 230 days. Most job opportunities were for a period less than 180 days. The upgrade projects that were planned to contribute to the target were on hold due to budgets being exhausted and waiting for funds to be approved by the strategic partners. The new upgrade projects were mostly handed over at the end of Q3 and very little construction works were done in Q4 due to inclement weather.	There are 7 new upgrade projects that were handed over at the end of Q3 and they are now in progress. It is also expected that the funds for T866 will be approved in Q1 of 23/24 financial year. As a result of the above, the targets for FTE's that were not achieved in 22/23 financial year will be achieved in 23/24 financial year.	None, Operational Task

3.2	Amount spent on employing labourers (R' m)	72 936 559	40 092 704	**Not achieved:** Phase 1 of rehabilitation projects were mostly completed in Q2. Phase 2 projects were handed over during Q3 and commenced in Q4. In the beginning of Q4, there has been inclement weather that impacted works in January and February months. During that time, limited construction works were done on the projects resulting in limited works for the labourers. It must however be noted that although the maintenance projects engaged more labourers than planned, they were only for a short duration and could not contribute significantly to the indicator. The upgrading projects that were planned to contribute to the target were on hold due to budgets being exhausted and waiting for funds to be approved by strategic partners. The new upgrading projects were mostly handed over at the end of Q3 and very little work was done in Q4 due to inclement weather and could not contribute towards achieving the target.	There are 7 new upgrading projects that were handed over in Q3 which are now in progress. It is also expected that the funds for T866 will be approved in Q1 of 23/24 financial year. As a result of the above, the targets that were not achieved in 22/23 financial will be achieved in 23/24 financial.	None, Operational Task
3.3	Amount paid to SMME Contractors and Sub-Contractors (R' m)	186 557 617	207 822 403	**Over-achieved:** This is due to efforts made by RAL to empower SMMEs in support of local economic growth.	None	None, Operational Task
3.4	Number of work opportunities created	772	3 329	**Over-achieved:** These are task-based activities in which contractors engaged more labourers than planned. The annual target has been achieved.	None	None, Operational Task
3.5	Number of youths employed (18 – 35)	540	1 918	**Over-achieved:** These are task-based activities in which contractors engaged more labourers than planned. The annual target has been achieved.	None	None, Operational Task

3.6	Number of women employed	463	1 522	**Over-achieved:** These are task-based activities in which contractors engaged more labourers than planned. The annual target has been achieved.	None	None, Operational Task
3.7	Number of persons with disabilities employed	15	72	**Over-achieved:** RAL has put a lot of effort into recruiting people with disabilities. The annual target has been achieved.	None	None, Operational Task
3.8	Number of SMMEs contracted	373	351	**Not achieved:** This target has been a challenge to achieve throughout the financial year due to cash flow challenges of the SMME's. The type of activities performed by SMME's like supply of cement, diesel and other project consumables required them to have a positive cashflow. The contractors ended up purchasing the materials themselves. The SMME's were subsequently allocated low-cost items and resulted on non-achievement for the quarterly and yearly targets.	There are 7 new upgrading projects that were handed over in Q3 and they are now in progress. It is also expected that the funds for T866 will be approved in Q1 of 23/24 financial year. As a result of the above, the targets that were not achieved in 22/23 financial will be achieved in 23/24 financial. In order to help the SMMEs with the financial resources financial institutions like LEDA must be explored to see if they can assist the SMME's with the funding.	None, Operational Task
Outcome 4: Skilled and enterprising local labour by 2024.						
Sub-Programme: Job Creation, Empowerment, and Training						
4.1	Number of local workers trained	617	735	**Over-achieved:** The entity training provided is aiming at empowering communities so that they can become self-sustainable in the near future.	None	None, Operational Task

ANNUAL PERFORMANCE REPORT INFORMATION: 01 APRIL 2022 TO 31 MARCH 2023

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 2022/23; and
- Was verified by the Chief Executive Officer and found reliable, accurate, complete, and valid.

Gabriel Maluleke
Chief Executive Officer

Matome Ralebipi
RAL Board Chairperson

Flood damage repairs conducted in the 2022/23 financial year on a bridge along road D506 that traverses through game farms located between Waterpoort and Musina.

The upgrading of road D4166 in the Sekhukhune District from gravel to tar was completed in the 2022/23 financial year and has improved transportation, and access in the area.

PART C GOVERNANCE, RISK AND COMPLIANCE MANAGEMENT

1. Perfomance 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	BCom Accounting Higher Diploma in Computer Accounting CRISC Certificate in Strategic Leadership	Finance & Auditing	Roads Agency Limpopo	Nominations Committee	5 Board Meetings 1 Annual General Meeting 1 Strategic Planning Meeting
Ms W.N.G. Moleko	Independent Director	02/02/2021	N/A	BA Education BA (Hons) MA M Education Postgrad Diploma in Telecommunications and Information Policy Monitoring and Evaluation Course Technology in Distance Education and E-learning Course	Human Resources Education	Roads Agency Limpopo	HR & Remunerations Committee Nominations Committee Contracts and Planning Committee	5 Board Meetings 7 Planning and Contracts Committee meetings 6 REMCO meetings 1 Annual General Meeting 1 Strategic Planning Meeting
Ms T. M. Ramabulana	Independent Director	02/02/2021	N/A	B.A. (Social Science); Cert. Marketing; Dip. Personnel & Training; Dip. Labour Law; MDPt Man	Social Science. Human Resources	Roads Agency Limpopo	Nominations Committee. Human Resources and Remuneration Committee Planning & Contracts Committee	5 Board Meetings 7 Planning and Contracts Committee Meetings 6 REMCO meetings 1 Annual General Meeting 1 Strategic Planning Meeting

2. Composition of the Board (continued)

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.J. Phukuntsi	Board Member i.t.o section 12 (3) Representing Provincial Treasury	02/02/2021	N/A	B. Commerce Masters in Public Administration Higher Certificate in Theology	Accounting	Roads Agency Limpopo	Social & Ethics Committee HR and Remuneration Committee	3 Board Meetings 4 Social and Ethics Committee meetings 2 REMCO meetings 1 Annual General Meeting 1 Strategic Planning Meeting
Ms N.A Moloisi	Board Member i.t.o section 12(3) Representing Limpopo Department of Public Works, Roads and Infrasturcture	02/02/2021	N/A	Bachelor in Public Administration (Hons) Bachelor in Public Administration Diploma in Education Advanced Certificate in Education	Education Public Administration	Roads Agency Limpopo	Social and Ethics Committee	5 Board Meetings 1 Social and Ethics Committee meeting 1 Annual General Meeting 1 Strategic Planning Meeting
Adv. K.B Morota	Independent Director	02/02/2021	N/A	Bachelor of Laws	Law	Roads Agency Limpopo	Planning and Contracts Committee	2 Board Meetings 5 Planning and Contracts Committee meetings 1 Strategic Planning Meeting
Ms S.R. Mushwana	Independent Director	02/02/2021	N/A	Bachelor of Laws	Law	Roads Agency Limpopo	Social and Ethics Committee	4 Board Meetings 4 Social and Ethics Committee meetings 1 Strategic Planning Meeting

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 G.M. Maluleke	CEO	01/01/2020	N/A	BCompt BCompt (Hons) Certificate in Mining Taxation Certificate in Theory Accountancy Diploma in Insolvency Law and Practice	Chartered Accountant specialising in Financial Management	Roads Agency Limpopo	N/A	5 Board Meetings 6 Planning and Contracts Committee meetings 3 Audit and Risk Committee Meetings 2 Social and Ethics Committee Meetings 5 REMCO meetings 1 Strategic Planning Meeting
Ms M.G. Mokoka	Independent Director Audit & Risk Committee Chairperson	02/02/2021	N/A	BCom (Accounting) BCom (Hon) Postgrad Diploma in Management (Financial) Postgrad Diploma (Auditing)	Chartered Accountant specialising in Financial Management	Roads Agency Limpopo	Audit & Risk Committee	5 Audit and Risk Committee Meetings 4 Board Meetings 1 Strategic Planning Meeting
Mr Z. Samsam	Audit & Risk Committee Member	02/02/2021	05/08/2022	BCom Postgrad Diploma in Accountancy Advanced Certificate in Auditing	Chartered Accountant specialising in Financial Management	Roads Agency Limpopo	Audit & Risk Committee	1 Audit and Risk Committee Meeting 2 Board Meetings

2. Composition of the Board (continued)

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
Dr N.C. Skeepers	Audit & Risk Committee Member	02/02/2021	N/A	PhD Engineering Management MPhil in HIV/AIDS Management Masters in Health, Safety and Environment Post Grad Diploma in HIV/ AIDS Management B.Tech Environmental Health	Occupational Health and Safety	Roads Agency Limpopo	Audit & Risk Committee	5 Audit and Risk Committee Meetings 2 Board Meetings 1 Annual General Meeting
M. N.B Mutheiwana	Audit & Risk Committee Member	02/02/2021	N/A	Master of Business Administration BCom	Accounting	Roads Agency Limpopo	Audit & Risk Committee	5 Audit and Risk Committee Meetings 2 Board Meetings 1 Strategic Planning Meeting

3. Remuneration of the Board

Names	Remuneration	Other Allowances	Other Re-imbursements	Total
Mr M.S. Ralebipi	R189 394.04		-	R189 394.04
Ms W.N.G Moleko	R124 046.66		-	R124 046.66
Ms T.M. Ramabulana	R120 348.66		-	R120 348.66
Adv. K.B. Morota	R85 511.66			R85 511.66
Ms S.R. Mushwana	R88 022.66			R88 022.66
Ms M.G. Mokoka	R105 000.00		-	R105 000.00
Mr Z. Samsam	R24 921.58		-	R24 921.58
Dr N.C. Skeepers	R63 927.66			R63 927.66
Ms N.B. Mutheiwana	R74 532.66			R74 532.66

4. Committees of the Board

Committee	No. of meetings held	No. of members	Name of members
Audit and Risk Committee	5	4	Ms M.G. Mokoka, Dr. N.C. Skeepers, Ms. N.B Mutheiwana, Mr. Z. Samsam*
Human Resources and Remuneration Committee	6	3	Ms W.N.G. Moleko, Ms. T.M Ramabulana, Mr. M.J Phukuntsi
Planning and Contracts Committee	7	3	Ms T.M. Ramabulana, Ms. W.N.G. Moleko, Adv. KB Morota
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

* Mr Z. Samsam ceased to be a member of the Audit and Risk Committee on 5th August 2022.

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 2023, 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 2023

1. ENTERPRISE RISK MANAGEMENT

A. Business Risk Management

The Agency has developed an enterprise-wide risk management system that is aligned to the ISO 31 000: 2018 Risk Management Principles and Guidelines; to guide the execution of the risk management activities at all levels within the organisation. The Board of Directors, through its Audit and Risk Committee, had provided an oversight into the performance of the enterprise-wide risk management system underpinning the set strategic objectives and targets for the 2023/2024 financial year.

The risk management system continues to be guided by the principles of the approved Risk Management Policy Framework, which gets reviewed and updated on an annual basis. At an Executive Management ("EXCO") level, the organisation had established the Governance, Risk and Compliance Committee which meets on a quarterly basis, for purposes of serving as an advisory structure to EXCO on matters impacting on the mandate of the Agency, within the main focal areas of business operations.

The top 10 strategic risks profile and progress made is as follows:

TABLE 1: Top 10 Strategic Risks facing the Agency during the 2022/2023 financial year

No	Strategic objective	Category	Risk description	Residual Risk Rating	Progress on the implementation of the risk treatment measures
1.	**Outcome 1:** Adequately supported core business	Human resources	Insufficient human capital capacity and skills to execute the organisation's business and strategic objectives.	Level 1	The plans are underway to readvertise for the procurement of a suitable service provider to perform an organisational design to eventually ensure sufficient capacitation of the Agency. This process is expected to be completed during the 2023/2024 financial year. The process of reviewing a performance system has been achieved to improve on the level of organisational performance, thus underpinning the quest to achieve the set strategic objectives and targets.
2.	**Outcome 2:** Improved roads infrastructure network	Infrastructure	Deterioration of the provincial road infrastructure network	Level 1	A formal written correspondence in engaging Infrastructure South Africa (ISA) pertaining to sourcing some additional funding was completed, however the Agency is yet to obtain feedback to that effect. The efforts of incorporating the climate change requirements into the existing Agency's Planning and Design policy and procedures to assist with ongoing efforts in upgrading, refurbishing, and maintaining the provincial road network is currently underway, the risk treatment plan has been deferred to the 2023/2024 financial year.

No	Strategic objective	Category	Risk description	Residual Risk Rating	Progress on the implementation of the risk treatment measures
3.	**Outcome 1:** Adequately supported core business	Legal	Litigations instituted against RAL	Level 2	The procurement process for appointing a service provider to provide a third-party liability insurance to reduce litigation that may arise due to motor vehicle accident claims was finalised during the 2022/2023 financial year. A service provider was subsequently appointed for a period of 36 months. Most importantly, a Panel of Attorneys has been established to ensure a speedy response to any form of litigations instituted against the Agency.
4.	**Outcome 1:** Adequately supported core business	Financial management	Negative impact of the fluctuating construction costs on RAL's projects	Level 2	The Agency explored possible mechanisms of finding ways of hedging any potential fluctuating construction costs thus impacting on the cost of upgrading, refurbishing and/or maintaining the provincial road network in the province. Nonetheless, the Agency was advised by the Limpopo Provincial Treasury to ensure adherence to the PFMA and Treasury Instruction Note in responding to material fluctuating costs, over and above existing controls which have been put into place.
5.	**Outcome 1:** Adequately supported core business	Regulatory compliance	Non-compliance with applicable legislations impacting on RAL's business environment	Level 2	The process of developing a register for the regulatory universe had resumed but not yet completed during the 2022/2023 financial year; the finalisation of this process is expected to be completed during the 2023/2024 financial year. The process of capacitating the Compliance Management Office was delayed considering the initial non-approval of a Manager: Compliance position. However, the position has since been approved by the Limpopo Provincial Treasury for advertisement, and filling.
6.	**Outcome 1:** Adequately supported core business	Corporate governance	Failure to achieve a clean audit.	Level 2	The SCM register which enlists all legislations that the Agency has to comply with was compiled by the SCM Unit, for the purposes of improving the level of compliance. In addition, the Agency is working in resolving the past audit findings thereby monitoring the AGSA action plan, as well as the Internal Audit follow-up report.

No	Strategic objective	Category	Risk description	Residual Risk Rating	Progress on the implementation of the risk treatment measures
7.	**Outcome 1:** Adequately supported core business	Funding	Insufficient funding (e.g., PRMG, Equitable Share, Private Sector) for the priority infrastructure projects	Level 2	The initial allocated budget of R1.540bn for the 2022/23 financial year was adjusted to R2.093bn during mid-year budget adjustment. The additional R552.248m is made up of R517.248m approved rollover from the 2021/22 financial year and an additional R35m budget allocation made during the mid-year budget adjustment. The adjusted budget is made up of an Equitable share of R1.338bn and a Conditional grant of R754.962m. This budget represents an increase of R552.248m (36%) from the initial budget of R1.540bn. Compared to the 2021/22 final budget of R1.787bn, the adjusted budget for the current financial year has been increased by R305.658m (17%). The Agency entered into various agreements with private sector partners to plan and construct roads. The partners are Marula Platinum, Anglo American, Exxaro Resources, PPC and Northwest Provincial Government. The total Strategic Partners contribution is R461m, and Agency's contribution is R654m. The jointly funded projects amount to R1 115bn. The Agency's efforts in partnering with municipalities through the Infrastructure Municipal Grant had been explored, thus, culminating into entering into a Memorandum of Agreements (MoA) with 8 local municipalities to address the dilapidated road conditions in the province following a District Development Model. The actual translation of actual funding commitments is yet to be realised. In conclusion, it is worth noting that funding remains one of the major bottlenecks in mitigating the demand for tarred and maintained roads in the province.

No	Strategic objective	Category	Risk description	Residual Risk Rating	Progress on the implementation of the risk treatment measures
8.	**Outcome 1:** Adequately supported core business	Business	Business interruptions.	Level 2	The Agency had established a business continuity management ("BCM") system to cultivate and activate its organisational resilience in response to the effects of a crisis and other forms of business interruptions. The business continuity and crisis management system had been translated into the following outputs: Business continuity management policy. Crisis management policy. Crisis and business continuity management teams. Business impact assessment. The process of performing regular testing and validation of a fully-fledged BCM system had been deferred to quarter 1 of the 2023/2024, following the review of the business impact assessments for all key business processes, systems, and activities. The ICT Disaster Recovery Plan was subjected to a full-scale testing on 13th December 2022 thereby focusing on key functionality systems simulation and testing thus including the following key areas of business: Access to domain – AD Authentication. Accpac – Access to system, Process Order, Run Report and Print; and VIP – Access to VIP, Update Leave, Print Payslip. The above initiatives are vital in cultivating a business resilience culture across the organisation which is in accordance with best business continuity and resilience practices and standards.

No	Strategic objective	Category	Risk description	Residual Risk Rating	Progress on the implementation of the risk treatment measures
9.	**Outcome 1:** Adequately supported core business	Brand and reputation	Loss of credibility and public trust	Level 2	To enhance the positive image of the Agency, the Communications unit has developed both the communications strategy and a stakeholder management strategy to give effect to the approved communications and stakeholder management plans. Moreover, the communications platforms such as Mmileng, social media, website and community engagements and digital platforms are amongst other communication tools used to communicate the work of the Agency, including both the successes, and challenges facing the Agency during the 2022/2023 financial year. The Agency has strengthened the media relations (e.g., print, electronic, community radio stations), for instance a media WhatsApp group has been activated encompassing all media houses (mainstream and community). The related matters are shared in the group and include media advisories and invitations pre-event and media releases post-event, and event videos are shared upon completion. 2x advertorials have been published, 1x in the Limpopo Business Journal (LBJ) and 1x in the Municipal Focus. A key broadcast interview was conducted with Newzroom Afrika Channel 405 highlighting the achievements of the organisation through substantially completed road projects. Other media interviews have been conducted with SABC News, Capricorn FM, Mokopane FM and various community radio stations in the 5 Districts of the province.
10.	**Outcome 1:** Adequately supported core business	Information and Communications, Technology	Inadequate Information and Communications Technology Governance.	Level 3	The Agency's Information and Communications Technology ("ICT") Steering Committee had been established to enable and position ICT as a key strategic enabler for business; the 5-year ICT strategy has been developed and approved to provide a framework wherein ICT governance should be performed. However, adequate funding is needed to translate the plan into reality. The process of educating EXCO on the role and purpose of ICT governance as well as the development of an enterprise architecture have both been deferred to the 2023/2024 financial year.

B. Project Risk and Issues Management

The process for maturing the Agency's project risks and issues management system continues to be on an upward trajectory considering the number of projects, which were subjected to the principles of the Risk Management Policy Framework during the 2022/2023 financial year. The Governance, Risk and Compliance team endeavoured to cultivate and enhance collaborations with diverse project teams across the organisation (Internally and externally). These efforts were done in underpinning a dimension of excellence in the Agency's project risks and issues management value chain, thereby promoting a more proactive planning, design, execution, and completion of projects; in either, meeting or exceeding the set quality standards, spending funds within the allocated budgets as well as completing projects within allocated project timelines. Moreover, an integration of the project risks and issues registers into the planning and design value chain specifically during the preliminary and detailed design phases of these projects remains a significant milestone towards embedding a much more matured risk management culture in the organisation. In other words, good and solid project planning must always precede the execution to enhance the success rate of projects. These interventions were fundamental in an endless pursuit of value creation, thus seeking to improve on the level of regulatory compliance with the applicable legislation, and procedures, enhance on quality of the decision-making processes, as well as assist in managing the programme or project-wide risks, issues, and opportunities.

The frequency of monitoring projects and reporting by various internal governance structures (such as, EXCO, Audit and Risk Committee, etc.), for the purposes of provision of oversight had improved for the better in comparison to previous years. And most importantly, the lessons learned reports which get compiled by the respective project managers in conjunction with the project team members, for the purposes of highlighting the strengths and weaknesses in order to develop interventions has significantly improved in terms of both quality and substance.

Notwithstanding the aforesaid milestones, the Agency project risks and issues management system still characterised by various challenges, such as the negative impact of adverse weather conditions, the SMME's challenges, delays in appointing subconsultants (Social, Safety, Health, and Environment), lack of financial viability of the contractor and SMME's, thus disrupting project activities on site as well as inadequate programme and programme management, amongst others.

C. Ethics Management (Anti-Fraud and Corruption)

The first principle of the King IV Report on Corporate Governance for South Africa 2016, states that "the governing body should lead ethically and effectively" thus exhibiting the characteristics of integrity, competence, responsibility, accountability, fairness, and transparency. As a result, the Agency's Board of Directors had put into place the Social and Ethics Committee (SEC) to provide its oversight in cultivating and embedding an ethical culture at all tiers of the Agency. As a result, the SEC had been apprised on a quarterly basis about the progress made to date in implementing the ethics management plan (Including the Fraud Risk Register) across the organisation. Both the Fraud and Corruption as well as the Whistle Blowing Policies have been developed and implemented by the Board of Directors during the 2022/2023 financial year; the fraud risk register has been developed and monitored as well as tabled in the relevant governing structures for tracking and monitoring on the level of progress made.

The Agency successfully hosted an Online Ethics Conversation Chapter 02 session, with Prof Bonang Mohale (President of the Business Unity South Africa) on Tuesday, 28 June 2022. Approximately, 50 employees were in attendance. Numerous topics covering the role of ethics in government and business sectors were discussed. The fundamental role of leadership in cultivating an enabling culture for ethical leadership that underpins achievement of the set objectives and targets were discussed. Moreover, the importance of a compelling vision, courage as well as integrity were outlined as the key drivers for good leadership in an ethical environment. Furthermore, there were discussions about the cost of State Capture on businesses and service delivery as well as how to prevent these future events considering the recommendations from Judge Zondo's Report. Not a single case has been reported during the 2022/2023 financial year despite the internal awareness initiatives conducted via the Public Sector Ethics Hotline (0800 701 701), under the supervision of the Public Service Commission in ensuring the level of proactiveness in managing ethics in the organisation. There was no unethical practice reported via the ethics hotline in the 2022/23 financial year.

D. Occupational, Health and Safety

Roads Agency Limpopo 's (RAL) Management Occupational, Health and Safety (OHS) Committee has played a fundamental role of promoting and maintaining a safe working environment for staff members and visitors, and there has been great progress made in implementing the occupational, health and safety management system during the 2022/23 financial year.

1. COVID-19

The OHS Committee ensured continuous technical support, advice, and guidance to all staff to maintain a safe working environment and minimising the spread of the COVID-19 virus during working hours. In the past, RAL has had positive COVID-19 pandemic cases reported which stand at 36, and all recovered and resumed their duties after isolation. There was also 1 reported positive Covid -19 case that led to a fatality, which to date, brings the cumulative number of the infected employees to a total of 37. The cases were reported to the Department of Employment and Labour as a mandatory requirement.

2. Health and Safety Committee

The OHS Committee has been established with a total of 17 committee members who were appointed in writing by the CEO. The appointed committee members comprise of Health and Safety Representatives, First Aiders, Fire Marshalls, Management representatives, Union representatives and Co-opted members whose term of office is three years, respectively. In the 2022/23 financial year, the committee held and attended 4 meetings where issues pertaining to inspections, trainings, incidents, complaints, and emergency evacuation were discussed and addressed. Subsequent to that, the Committee also conducted quarterly inspections to monitor compliance to the legislation.

3. Training

The committee members were empowered to execute their functions by attending the OHS Legal compliance training session. The Committee members completed their 5 days legal compliance training and the scope of the training attended covered, First Aid, fire prevention, emergency preparedness and response, SHE Reps functions and OHS Act. The whole committee completed the training and were issued with certificates of competency and the OHS Act 85 of 1993 legislation booklets for reference.

4. The OHS POLICY

The Occupational Health and Safety Policy has been developed as a means of the employer committing to ensure the safety and health of all employees, contractors, agents, clients, and visitors. The Policy aims to improve and encourage the OHS culture in the organisation. The approved Policy has been communicated to all employees and contractors and has also been uploaded on the intranet for ease of access.

5. Site Inspections and Construction Work Permits

The OHS Business unit continuously monitors OHS compliance at construction sites during the construction work performed by the appointed contractors. Due to regular site visits and site meetings being attended, there has been a major reduction in the number of non-conformance findings in relation to non-compliance with the provisions of the Occupational, Health and Safety Act (Act 85 of 1993) at RAL's road construction sites. The reduction is attributed to the strict control measures put in place by the OHS team as they implement the zero tolerance to non-compliance. The site visits focusing on walk through surveys and documents/safety file audit is being conducted.

A total of six construction work permits have been submitted to the Department of Employment and Labour for approval, and approval has been granted. There has been great improvement in terms of acquiring Construction Work Permits and that has led to prevention of delay in finalisation of the projects.

6. Incidents

Construction work is one of the sectors with high statistics of occupational injuries and fatalities amongst all the sectors, due to strict monitoring of RAL construction sites by the OHS Business unit, we had only eight (08) reported incidents during the 2022/23 financial year. Out of the eight (08) incidents, there were two (02) reported cases of employees who are based in the office and six (06) affected from those who work at construction sites. The six (06) site reported incidents are categorised as non-reportable in terms of Section 24 of the OHS Act 85 of 1993 and only the two (02) that emanated from the office are reportable in terms of the legislation.

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 in procuring goods and services, the procurement checklist is complied with.

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

3. INTERNAL AUDIT FUNCTION

Internal audit performed the internal audit activities for the year ended 31 March 2023, in accordance with the Internal Audit Plan for 2022/23 financial year, which was approved by Audit and Risk Committee. The Internal Audit Plan was developed after having had due consideration to RAL's top 10 strategic risks identified by management.

Internal Audit performed ten (10) of sixteen (16) planned audits. The six (6) audit projects were carried over and will be completed 2023/2024 financial year.

There were fifty-three (53) findings reported during the 2022/2023 financial year, eleven (11) being level 1 (high), forty-two (42) being level 2 (medium) and zero (0) being level 3 (low) impact findings compared to seventy-eight (78) that were reported in the 2021/2022 financial year. From the activities audited in 2022/2023 financial year, significant improvements in the implementation of internal controls by management were noted compared to 2021/2022 financial year, however some of the planned audit projects were not executed in 2022/2023. The high and medium findings reported were mainly due to non-compliance with existing policies and poor contract management, 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 AND 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.

5. COMPLIANCE WITH LAWS AND REGULATIONS

Crucial pieces of legislation that govern and regulate the Agency's management and operations are, *inter alia:*

- Constitution of the Republic of South Africa Act 98 of 1996
- Public Finance Management Act 1 of 1999
- Companies Act 71 of 2008
- Limpopo Province Roads Agency Proprietary Limited and Provincial Roads Act 7 of 1998, as amended
- Construction Industry Development Board Act 38 of 2000
- Preferential Procurement Policy Framework Act 5 of 2000
- Labour Relations Act 66 of 1995
- Occupational Health and Safety Act 85 of 1993
- Basic Conditions of Employment Act 75 of 1997
- Broad-Based Black Economic Empowerment Act 53 of 2003
- Division of Revenue Act 5 of 2022
- Protection of Personal Information Act 4 of 2013

The regulatory framework comprises, *inter alia*:

- King IV Report on Corporate Governance for South Africa, 2016
- Treasury Regulations, 2001
- Protocol on Corporate Governance in the Public Sector
- General Conditions of Contract for Construction Works
- Preferential Procurement Regulations, 2022

RAL has the responsibility to comply with all applicable laws and regulations. The Audit and Risk Committee received quarterly compliance reports apprising the Committee of the level of compliance of the Agency.

7. MINIMISING CONFLICT OF INTEREST

In terms of the approved Conflict of Interests Policy all employees of Roads Agency Limpopo are required to complete the declaration of interest forms, in which forms financial interests have to be disclosed. All declarations made by employees have to be submitted to the Chief Executive Officer for approval.

8. CODE OF CONDUCT

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

9. ENVIRONMENTAL ISSUES

The Agency ensures that all the projects that are implemented comply with all the statutory requirements of Environmental Management. This is done by ensuring that all the projects have environmental authorisations and permits from stakeholder departments.

Continuous environmental awareness remains key in all the projects to ensure that all project participants fully contribute towards sustainable development. In addition, we also ensure that there is compliance monitoring for appointed contractors to meet the Environmental Statutory obligations by utilising different environmental management tools .

Landownership disputes in relation to the borrow pits remain a challenge that is addressed by strictly adhering to the provisions of the law and intensive stakeholder engagement processes with the Stakeholder Liason and Community Development (SLCD) unit at RAL. The process of stakeholder engagement ensures that information dissemination on projects is done throughout the project cycle in order to create awareness within communities and amongst project participants.

10. COMPANY SECRETARY

Ms T.C. Kekana FCG(CS) is the appointed Company Secretary of Roads Agency Limpopo.

11. SOCIAL RESPONSIBILITY

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

12. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2023. The committee has adopted appropriate formal terms of reference as outlined in the Audit and Risk Committee Charter. The Committee has discharged its fiduciary duties in conformity with this charter and has executed all its delegated responsibilities as contained therein namely:

reviewing the internal control structure, including financial controls and accounting systems, as well as evaluating whether the system of internal control is adequate to manage critical risks;

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

Audit Committee Members:

The Audit Committee consisted of the independent members listed hereunder. The Committee convened five (5) meetings during the 2022/2023 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*	*5*
Mr Z. Samsam *Independent Audit & Risk Committee Member*	*1*
Dr N.C. Skeepers *Independent Audit & Risk Committee Member*	*5*
Ms Mutheiwana *Independent Audit & Risk Committee Member*	*5*

*Mr Z. Samsam ceased to be a member of the Audit and Risk Committee on 5th August 2022.

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.

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

6. 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 applies the specific goals criteria when appointing service providers in conformity with the provisions of the Preferential Procurement Policy Framework Act (PPPFA) as its legislative framework for supply chain management processes. The entity has appointed a service provider to conduct the B-BBEE verification for the entity. The entity will be issued with a B-BBEE Certificate on or before 31st August 2023 and report on its compliance to the B-BBEE Commission by 31st August 2023.
Developing and implementing a preferential procurement policy?	YES	The entity has a Supply Chain Management Policy and a Preferential Procurement Policy which are 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 2023/24 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.

The rehabilitation of road P18/2 (R519) from Zebediela towards Bergenek in the Capricorn District during the 2022/23 financial year has led to the creation of numerous job opportunities for local residents and empowered small local businesses in the area.

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 depends upon the combined skills, experiences, competencies, 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 the latest trends in the ever-changing global road infrastructure 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 the critical skills needed to drive RAL's strategy are attracted, strengthened and retained.

STAFF SIZE

At the beginning of the financial year 2022/23, RAL had a total staff complement of 83 employees. Of these, six occupied top management positions while five held senior management positions. The rest of the staff included inter-alia, 24 qualified professionals, 20 skilled personnel whilst 21 and seven fell into semi-skilled and unskilled categories respectively. At the end of the financial year the Agency had 89 employees. During the financial year, the most understood threat to RAL's HR capacity was the high vacancy rate.

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 90 350 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 approach 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. A workplace forum was successfully established, which 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 instils a strong sense of social justice, equality and fairness amongst 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 the necessary skills and capabilities as well as to provide all levels of management with appropriate tools to assess and manage performance. Part of the efforts to achieve employee development goals remained to encourage employees to take advantage of RAL's employee development 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.

EMPLOYEE WELLNESS PROGRAMME

The promotion of healthy lifestyles amongst RAL's employees was one of the top items on RAL's management 2022/23 business agenda. The Agency had a successful wellness session during the 20221/22 financial year. This was intended to embed a culture of practising healthy habits regularly to get improved physical and mental health results. It touched on five dimensions of wellness inclusive of mental, physical, social, financial and spiritual wellness.

2. Human Resources Oversight Statistics

Personnel Cost by Programme/ Activity/ Objective

Programme / Activity / Objective	Personnel Expenditure (R'000)	Personnel exp. as a % of Total exp. (R'000)	No. of Employees	Average Personnel Cost per Employee (R'000)
Engineering	30 585	33	36	850
Corporate Services	19 568	21	26	753
Finance	16 488	18	19	868
Information Technology	6879	7	8	860
CEO's Office	19 190	21	25	768
Total	**92 710**	**100**	**114**	**813**

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	13 818	15	6	2303
Senior Management	11 978	13	9	1331
Professional Qualified	39 938	43	32	1248
Skilled	16 089	17	20	804
Semi-skilled	7767	8	19	409
Unskilled	3120	3	7	446
Total	**92 710**	**100**	**93**	**997**

Performance Bonus

Programme / Activity / Objective	Performance Rewards	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel cost (R'000)
Top Management	620	13 376	5
Senior Management	785	7553	10
Professional Qualified	2823	29 472	10
Skilled	1218	15 471	8
Semi-skilled	610	7782	8
Unskilled	117	1243	9
Total	**6173**	**74 897**	**8**

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	92 710	2 272	2%	76	30

Programme / Activity / Objective	2021/22 No. of Employees	2022/23 Approved Posts	2022/23 No. of Employees	2022/23 Vacancies	% of Vacancies
Employment and Vacancies	83	138	114	49	35

NB: The training expenditure is inclusive of conferences

2. Human Resources Oversight Statistics (continued)

Programme / Activity / Objective	2021/22 No. of Employees	2022/23 Approved Posts	2022/23 No. of Employees	2022/23 Vacancies	% of Vacancies
Top Management	6	7	4	3	43
Senior Management	5	15	8	7	47
Professional Qualified	24	45	31	14	29
Skilled	20	37	20	17	46
Semi-skilled	21	27	19	8	30
Unskilled	7	7	7	0	0
Total	**83**	**138**	**89**	**49**	**36**

Salary Band	Employment at Beginning of Period	Appointments	Terminations	2021/22 Vacancies	Employment at End of the Period
Top Management	6	0	2	3	4
Senior Management	5	4	1	7	8
Professional Qualified	24	9	2	14	31
Skilled	20	6	6	17	20
Semi-skilled	21	1	3	8	19
Unskilled	7	0	0	0	7
Total	**83**	**20**	**14**	**49**	**89**

One employee from the professional category has been appointed in Senior Management and one has retired hence two terminations in Professional qualified .

Five employees from the skilled development category have been appointed as Professionals and one has been appointed in Senior Management hence six employees and six terminations in the Skilled category.

Two employees from Semi-skilled category have been appointed in the Professional category and one was appointed in Skilled category.

Table excludes interns.

Employment Changes

Reason	Number	% of Total no. of Staff Leaving
Death	0	0
Resignation	1	7.1
Dismissal	0	0
Retirement	1	7.1
Ill Health	0	0
Expiry of Contract	2	14.4
Other	10	71.4
Total	**14**	**100**

Disciplinary Action

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

3. Employment Equity

Equity Targets and Employment Equity Status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	3	0	0	0	1	0	0	0
Senior Management	5	1	0	1	0	0	0	1
Professional Qualified	13	3	0	0	0	1	1	2
Skilled	5	6	0	1	0	1	0	2
Semi-skilled	7	3	0	1	0	0	0	1
Unskilled	2	0	0	0	0	0	0	0
Total	**35**	**13**	**0**	**3**	**1**	**2**	**1**	**6**

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	0	0	0	0	0	0
Senior Management	3	2	0	1	0	0	0	1
Professional Qualified	17	6	0	1	0	1	0	2
Skilled	14	4	1	0	0	1	0	2
Semi-skilled	11	0	1	1	0	0	0	0
Unskilled	5	0	0	0	0	0	0	0
Total	**50**	**13**	**2**	**3**	**0**	**2**	**0**	**5**

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	1	0	1
Semi-skilled	0	1	0	1
Unskilled	0	0	0	0
Total	**0**	**2**	**0**	**2**

* The Agency has met its employment equity targets in terms of representation of women in senior management. The other critical positions are at evaluation stage by the Human Resources Unit. The target for people with disability will be addressed in the 2024/25 financial year as per numerical targets year three.

The upgrading of road D3278 from gravel to tar, led by Roads Agency Limpopo (RAL), from Blouberg Hospital to Buffelshoek Clinic in the Blouberg Local Municipality, Capricorn District was handed over to the contractor towards the end of 2022/23 financial year.

PART E STAKEHOLDER ENGAGEMENT AND COMMUNICATIONS

1. Stakeholder Engagement Overview

STAKEHOLDER ENGAGEMENT

Stakeholder management remains an integral element of RAL's value creation process 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.

For the 2022/23 financial year, Roads Agency Limpopo has undertaken and strengthened its stakeholder management initiatives. Several 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 accordance with Part 5, as read with Principle 16 of the King IV Report, RAL advocates for an inclusive stakeholder approach. Accordingly, this approach puts the responsibility on RAL to balance the legitimate needs, interests, and expectations of RAL's key stakeholders. The Agency believes that the task of balancing the diverse interests of key stakeholders is a dynamic and ongoing process. During the financial year, 2022/23, RAL through its shareholder representative, Honourable MEC for Public Works, Roads and Infrastructure, Mme Nkakareng Rakgoale, has strengthened its stakeholder engagement initiatives.

The success of the Agency is largely dependent on the contribution made by all stakeholders, including local communities, municipalities, strategic partners and traditional authorities. RAL believes that successful stakeholder engagement requires the commitment to honestly engage with stakeholders, listen to them, build relationships with them and then respond to their concerns in a mutually beneficial way. In the context of RAL's business, stakeholder engagement and partnership enables and enhances improved business planning, performance and in particular, implementation of road infrastructure projects.

COMMUNITY ENGAGEMENT

The role played by Limpopo communities continues to take the centre stage in the success of RAL. Without the participation of Limpopo communities, the work of RAL cannot succeed.

The needs and concerns of communities continue to dominate the 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.

In the view of RAL, 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 activities. 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 2022/2023, several community engagement sessions were conducted.

The trust deficit between RAL and communities has greatly and positively improved. The need to continue strengthening RAL's community engagement agenda cannot be over emphasised. RAL frequently uses community outreach campaigns as dialogue platforms. These platforms present opportunities for the Agency to provide constant feedback on pertinent issues of community interest.

MUNICIPALITY ENGAGEMENT

Through inter-governmental partnership, RAL works closely with various Limpopo Municipalities to improve service delivery. The objective of RAL is to ensure that all the five districts are serviced fairly within the available budget and considering the various challenges experienced.

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.

In recent months, RAL entered into a formal partnership with several Limpopo Municipalities. Through this partnership, RAL has initiated some intervention relating to municipal road infrastructure. The collaboration between RAL and municipalities through the Memorandum of Agreement (MoA) signed along with the Provincial Government, 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. The shared vision in delivering accessible, safe and reliable network can only be a reality if the municipalities 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 positive impact created by the solid partnership between RAL and various strategic partnership has improved much of Limpopo's provincial road infrastructure. 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 continues 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.

The Agency continues with its efforts to engage several 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 remain a permanent and critical feature of RAL's business.

In the 2022/23 financial year, RAL's strategic partnerships strengthened considerably in the Mining sector, one of the key economic pillars of the province together with Tourism and Agriculture. These partnerships will see the construction, maintenance and resurfacing of key bridges and landmarks towards ease of facilitation of business operations and ensuring seamless access to essential services for communities.

SMME EMPOWERMENT PROGRAMME

A huge number of Small, Medium and Micro Enterprises (SMMEs) in the success of RAL's core business cannot be over emphasised.

In the context of RAL business, SMMEs are regarded as critical drivers for economic transformation and job creation. RAL continues to use SMMEs during the financial year under review, 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 more jobs and employment opportunities.

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

LOCAL LABOURER PROGRAMME

The work of RAL continues to contribute to the empowerment of a considerable number of local labourers in Limpopo Province. 30 percent of the total contract value for all the upgrading projects has been set aside for the empowerment of SMMEs and 10 percent for local labourers. This government initiative is positively creating a huge dent in the empowerment agenda of RAL. The Agency's Local Labourer Programme is designed in such a way that for upgrading projects, main contractors must ensure that 10 per cent of their labourers consist of local women, youth and people with disabilities, the percentage for maintenance projects is 5% local labourers.

MARKETING, COMMUNICATIONS AND PUBLIC RELATIONS

RAL's communications and public relations approach is used to effectively communicate key messages to Limpopo's diverse public. It was important to first identify and develop a clear stakeholder matrix so that different and relevant mix of communication and public relations tools is developed and used. The goal of this exercise includes, continuously evaluating the strengths and weaknesses of all Public Relations, Marketing and Communications activities with the view to strengthen them.

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. In the 2022/23 financial year, there has been considerable progress in the alignment of all stakeholder management, communications and public relations initiatives.

To promote RAL's visibility and market presence, the Agency continues to run communication and public relations initiatives.

MMILENG – FLAGSHIP EXTERNAL OFFICIAL PUBLICATION

RAL publishes a quarterly magazine called 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 communication and public relations tool. Several editions have been published to date.

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

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 ability to access technology and digital platforms used by RAL.

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

Mmileng Magazine, the official quarterly publication of Roads Agency Limpopo continues to play a significant role of keeping communities informed about the latest developments in road infrastructure projects within the province.

SOCIAL MEDIA

Given the increase in the usage of social media as one of the prominent communication tools, RAL has adopted a social media mix strategy that generates relatively high numbers of readership, listenership, and viewership. The Agency has also adopted several digital communications platforms to enhance its readership and listenership coverage. In the 2022/2023 financial year, the Agency strengthened the efforts of communicating the achievements and processes involved in road infrastructure development by boosting selected posts on social media and by developing creatively designed infographics. These efforts are aimed at generating an affinity with online users and draw the interest of a wider audience. The infographics campaign summarises completed roads in the year under review and the benefits derived from each road project completed.

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

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

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

Each new edition is also promoted on RAL social media channels, Twitter, Facebook and Instagram, in the form of page images and videos. Currently, RAL is using the cover stars or personalities (mainly celebrities who identify, have roots or relationship with the Limpopo Province) to help promote 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 on public platforms such as social media, have the capacity to raise awareness about RAL and its good work.

Why use personalities or celebrities for Public Relations?

Several personalities and celebrities have been used to promote the work of RAL in the Agency's corporate publication, Mmileng. These personalities also play a huge role on a number of social media platforms. 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 RAL's public relations mileage.


Search https://twitter.com/RoadsAgency
RAL
ROADS AGENCY
LIMPOPO
TOGETHER FOR BETTER ROADS
Menthabi Menty Letsoalo
That road really needed to be repaired, driving on it was never fun anymore. Siyabonga RAL, siyabonga MEC
19h Like Reply
1
7
Most relevant
Follow
Top fan
T-Man WaMo-Africa Ke Nna
What the Agency is doing is great but the're people who still don't have Access Road and rainy season is knocking
2w Like Reply
Mj Mtj
#RALatWORK some of us are happy with the work that the Agency is doing in and around Limpopo,this mountain(roads backlog)is still huge,but with the current crop of officials are believe the communities will get serviced.
Roads Agency Limpopo
Moffat Phonyokga Mathipa and 88...
Katlego Onalenna Maifo
Finally we made it all thanks to the community of blouberg that believed in Us BDF blouberg development Forum,it was not an easy Journey.
3d Like Reply
1
Mj Mtj
Indeed!
2d Like Reply
Ronny Kgalegadishe Mashabela
Keep up the good work!
2d Like Reply
Vho Thovhala
Can you pls give me update on road D2677 linking Vleifontein Nthabalala Mpofu Pfananani
2d Like Reply

Since the use of this strategy, RAL has significantly increased its awareness, support, and following on various social media platforms such Twitter, Facebook and YouTube and with Instagram gradually following suit. The evidence of this can be seen in the form of positive comments made by the readers and stakeholders. The readership of Mmileng has, because of this growth also increased substantially. We are currently printing about 1000 copies of Mmileng and the rest of the distribution is done on digital platforms alluded to above.

This influencer strategy has worked wonders in that it triggers interest in the publication and curiosity about what the publication contains. The expectation and plan in covering the celebrities is to get them to comment positively about Limpopo's road infrastructure and the work of RAL, thereby influencing those who support and follow them to see and share the same positive sentiments about the Agency.

IMPROVED RAL BRAND

Since the refinement of the RAL brand and logo, the Agency has seen a great deal of improvement on how the Agency is perceived. A number of stakeholders are today, seeing and appreciating the value of the work done by RAL. The impact of the new brand is clearly seen and heard through media and social media feedback. RAL recognises that a positive 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.

MEDIA RELATIONS

RAL continues to identify ways in which media relations initiatives can be strengthened. The objective is the media strategy is developing and building a proactive and strong partnership with carefully selected media outlets. It is through managed relationships with the media that programmes, events and other newsworthy stories are positively exposed to the public and other stakeholders.

In the year 2022/23, RAL targeted print and electronic media platforms with a wider reach-readership. 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 were explored to both strengthen media relationships and engage the public through guaranteed media exposure. The Agency has activated a media WhatsApp group to increase visibility and publicity on the work of RAL.

RAL's activation of a media WhatsApp group aims to build a media community network to specifically share necessary content about RAL matters. The RAL media WhatsApp group is comprised of at least 30 journalists from 20 different media houses, encompassing local, community and national broadcast stations. In the 2022/23 financial year period, through the platform, RAL has shared the necessary information and content relating to the status of the Agency's projects and provided updates in the form of media releases and media advisories to various stakeholders.

The main purpose of the group is to provide media with information and drive the RAL narrative. This platform further allows media contacts to know that they have a dedicated go to channel at RAL through Communications for all their enquiries and to offer immediate assistance for their interview requests. Several interviews are conducted through the media WhatsApp group platform and sound bites and live reads are prepared for distribution.

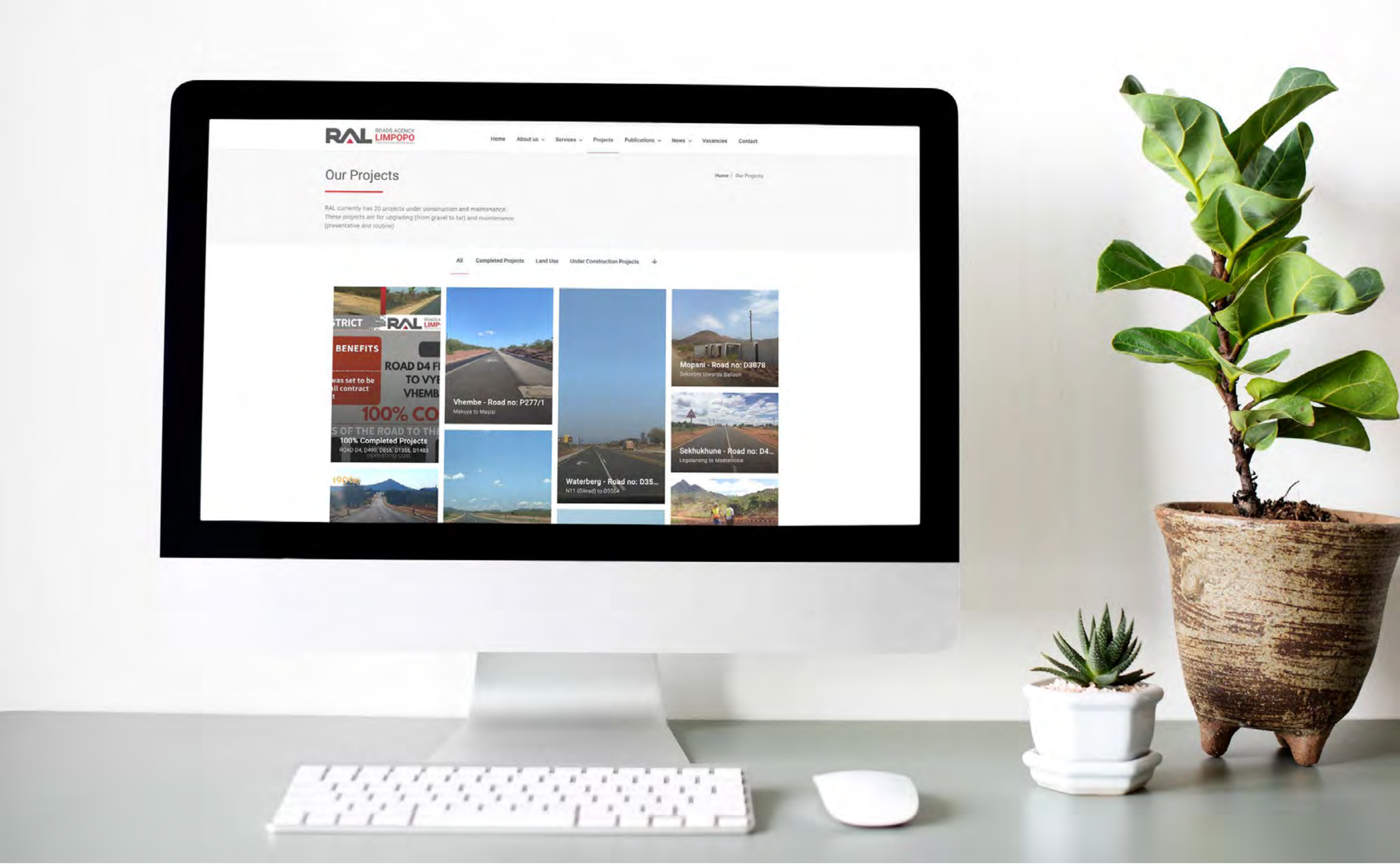
INTERNAL COMMUNICATIONS

As part of the turnaround strategy, management identified internal communication as an element requiring immediate attention. Part of the critical element to the success of RAL, is the role played by the employees. It is therefore important that, as representatives of the Agency, they get fully informed on the work of RAL and challenges. Since, refining the logo (RAL brand), the Agency embarked on numerous initiatives aimed to strengthen internal communications and entrench the correct usage of the Corporate Identity (CI) Manual for RAL internal stakeholders. The initiatives aim to ensure a more standardised approach to Communication and Public Relations in enhancing the RAL Vision and Mission internally.

Limpopo Department of Public Works, Roads and Infrastructure, and Roads Agency Limpopo strengthen relations with traditional authorities and communities through SOD Turning Ceremonies ahead of project implementation in various districts. Picture depicts the event that took place in N'wamitwa, Mopani District towards the end of the 2022/23 financial year.

The initiatives included the development of an internal monthly newsletter, which serves to engage the staff in a technique to keep them informed of Agency activities using brief and simplistic mechanisms. It has become vital to emphasise the importance for staff to always protect the image and reputation of the RAL brand to ensure an even greater impact with external stakeholders. Among other initiatives introduced, are the improved intranet, RAL TV, monthly newsletter and more importantly the quarterly CEO's address.

These platforms are aimed at strengthening internal communications by creating informed employee ambassadorship.


ROADS AGENCY
LIMPOPO
Home
About us
Services
Projects
Publications
News
Vacancies
Contact
Our Projects
Home / Our Projects
RAL currently has 20 projects under construction and maintenance.
These projects are for upgrading (from gravel to tar) and maintenance
(preventative and routine)
All
Completed Projects
Land Use
Under Construction Projects
BENEFITS
100% Completed Projects
Vhembe - Road no: P277/1
Makuya to Masisi
Waterberg - Road no: D35...
Mopani - Road no: D3878
Sekhukhune - Road no: D4...

In the 2022/23 financial year, one of the notable achievements by Roads Agency Limpopo (RAL) was the signing of a Memorandum of Agreement (MoA) with the South African National Roads Agency Limited (SANRAL). This MoA facilitated a joint venture by RAL and SANRAL for the construction of the St Engenas Moria Interchange.

PART F FINANCIAL INFORMATION

1. Financial Performance

FINANCIAL PERFORMANCE

Public sector entities in South Africa, particularly in road construction, faced a challenging environment marked by socio-economic challenges and the intricate nature of public governance. This demands a balance of governance, societal interests, and fiscal responsibility, especially when addressing infrastructure disparities and budget constraints.

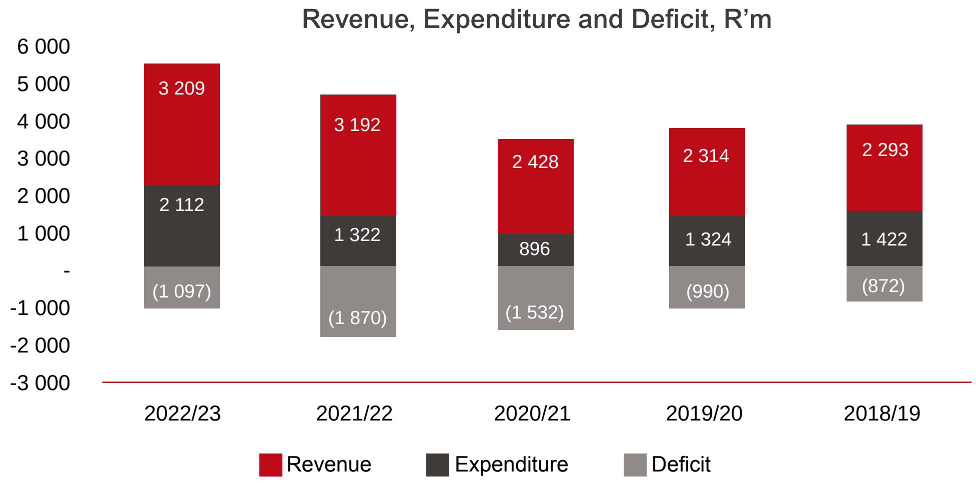
The significant amount of rollover requests from 2021/22 added an unprecedented layer of complexity to the financial forecasting, mainly due to the uncertainty regarding the approval of the rollover. The entity charted its course, considering both scenarios: one with the rollover funds and another without. However, the main concern was the possibility of the request not being approved, which would have impacted the financial strategies and required quick adjustments.

Despite the challenges faced, the entity received an unqualified audit opinion, although with a few findings. This achievement highlights continuing commitment to transparency, accuracy, and adherence to financial standards. The entity fully utilised the entire budget in the 2022/23 financial year, a milestone not achieved in the previous three financial years. Furthermore, the entity appointed several contractors and consultants for road upgrades, a decisive step towards addressing the province's road infrastructure backlog. It should be noted that RAL temporarily suspended new upgrade projects due to past over-commitments.

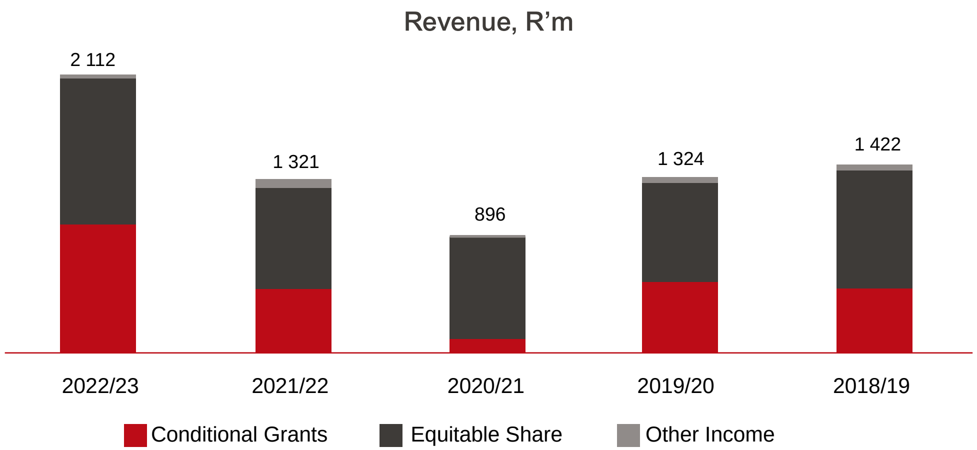
PROFITABILITY

The Agency received an increase of 18% in government grants, rising from R1.772 billion in 2021/22 to R2.093 billion in 2022/23. This increase is due to an unspent grant of R517 million from the previous financial year. Although the grant allocated in 2021/22 was R1.772 billion, only R1.254 billion was recorded as revenue due to underspending.

RAL recorded a net deficit of R1,097 billion in the 2022/23 financial year (2021/22: R1,870 billion). The loss was mainly due to the depreciation, impairment loss and repair and maintenance of R1,567 billion (2021/22: R2,341 billion), R26 million (2021/22: R170 million), and R1,414 million (2021/22: R501 million), respectively.



Revenue. For the financial year, the total revenue stood at R2,112 billion, up from R1,321 billion in 2021/22. This increase is primarily attributed to the additional R517 million government grants given to the Agency following the approved rollover from the 2021/22 financial year.



The distribution of government grant budgets is almost equally split between conditional grants and equitable shares. Only the equitable share offers flexibility and can be allocated to any function that aligns with the Agency's objectives, including road upgrades and general expenses. On the other hand, conditional grants can exclusively be used for road repairs, maintenance, and rehabilitation. Government grants contribute to more than 90% of the total revenues, with the remaining balance predominantly coming from private sector contributions and interest income. Under GRAP, these private sector contributions are recognised as part of the Agency's revenue. RAL's own generated revenue was R13 million, a decrease from R15 million in 2021/22.

EXPENDITURE

Employee-related costs. The personnel costs increased by 15% to R93 million (2021/22: R81 million), mainly due to filling vacancies and salary increases.

Depreciation, amortisation and impairments. The substantial depreciation of infrastructure assets can be attributed to the significant infrastructure assets in use, which were valued at R19.820 billion at the year's end (2021/22: R20.776 billion). The total depreciation, amortisation, and impairment for the year came to R1.593 billion, a decrease from the R2.510 billion reported in 2021/22. Both depreciation and impairment saw decreases of R774 million and R144 million, respectively, when comparing 2021/22 to 2022/23. The decrease in impairment resulted from the fact that a significant portion of the entity's infrastructure assets were already impaired in the prior financial years, especially in 2021/22. Meanwhile, the decline in depreciation was due to changes in accounting estimates pertaining to the remaining useful life of roads, influenced by the rehabilitation efforts undertaken on these roads.

Repair and maintenance. This increase is largely attributed to the provincial road maintenance grant (PRMG) increase, spurred by an additional budget allocation from the approved R517 million rollover from the 2021/22 financial year. This improvement was further improved by the Agency's full utilisation of the current year's budget, in contrast to the prior year.

General Expense. The overall expenses decreased by 6%, dropping from R94 million in 2021/22 to R89 million in 2022/23. This reduction primarily stemmed from implementing cost containment measures, which significantly reduced professional fees. However, the decline was offset by an increase in subsistence and travel costs because of the growing number of road construction projects. Additionally, court settlements rose due to a payment relating to the longstanding labour dispute and a rise in marketing and public relations expenditures.

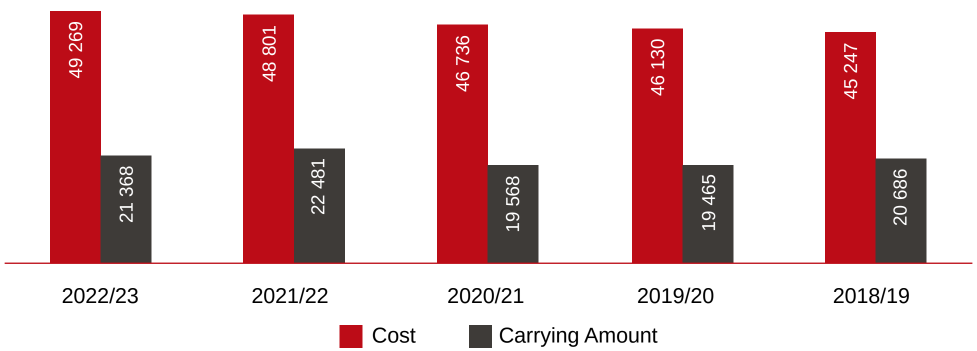
FINANCIAL POSITION

RAL's total assets declined by 7% to R21,607 billion (2021/22: R23,199 billion), and the total liabilities decreased by R482 million to R359 million (2021/22: R841 million).

Assets. Total assets experienced a decline of R1,592 billion, primarily caused by R1,567 billion depreciation of infrastructure assets (2021/22: R2,341 billion), a decrease in cash at the bank of R481 million and an impairment loss of R26 million (2021/22: R170 million). However, these decreases were mitigated by additions to road infrastructure valued at R487 million (2021/22: R628 million).

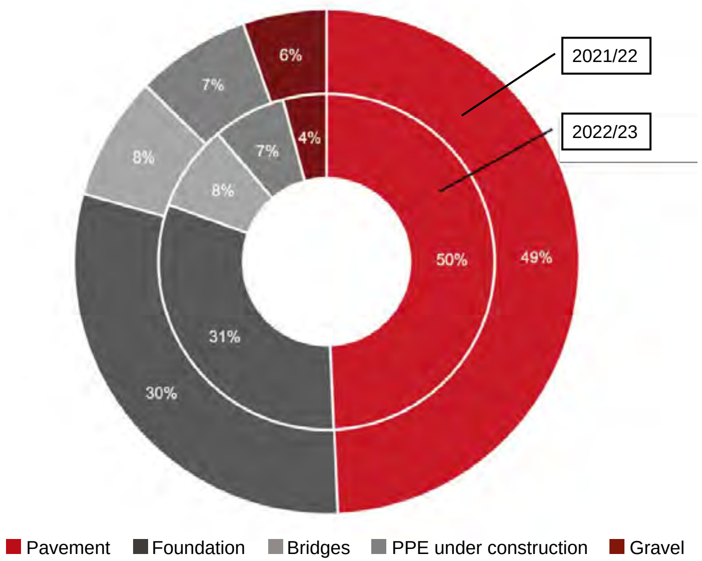
Over a period of five years, from 2017/18 to 2022/23, the net carrying value of RAL's property, plant, and equipment showed a marginal decline, moving from R21,450 billion in 2017/18 to R21,368 billion in 2022/23.

Property, Plant and Equipment, R'm



The value of road infrastructure assets decreased from R22,423 billion to R21,310 billion, marking a decline of R1,113 billion. However, there was only a slight shift in their composition. The percentage of carrying amount of paved roads, which consists of road pavement and foundations, rose from 79% to 81%. Gravel roads, on the other hand, dropped from 6% to 4%. These changes indicate that some roads have been upgraded from unpaved to paved.

Carrying amounts of infrastructure assets, R'm



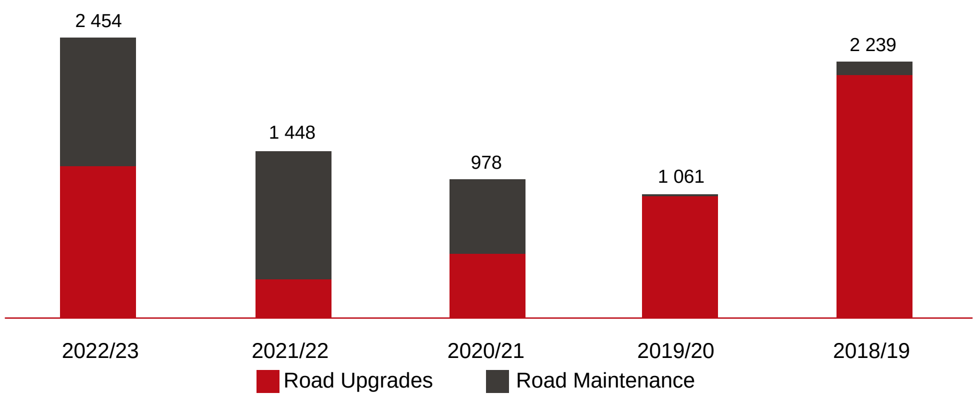
Liabilities. The Agency saw a considerable reduction in its total liability, with a decrease of R482 million, moving from R841 million in 2021/22 to R359 million in 2022/23. This decline was primarily driven by a R521 million reduction in payables from non-exchange transactions. However, this was somewhat offset by a R20 million rise in trade payables and a R19 million increase in retentions. The bulk of the total liabilities comprises payables on infrastructure projects amounting to R241 million (2021/22: R200 million), payables to private sector partnerships standing at R19 million (2021/22: R19 million), and retentions valued at R89 million (2021/22: R70 million). RAL remains committed to settling invoices within 30 days, as per the Agency's policy.

Solvency. RAL's solvency ratio, calculated as total debt divided by net assets, is at 1.7%, a decrease from 3.8% in 2021/22. The reduction in this ratio is due to a decrease in total liabilities. Additionally, as a Schedule 3C public entity, RAL is not permitted to borrow. Given its substantial infrastructure assets, this results in a distinctively low solvency ratio.

COMMITMENTS

The total allocation for road infrastructure increased by R1.006 billion, reaching a total of R2.454 billion in 2022/23. This increase is attributed to a substantial rise in the number of road upgrade projects initiated during the current financial year. Commitments to road upgrade projects increased from R322 million in 2021/22 to R1.328 billion in 2022/23, while commitments on road maintenance and rehabilitation projects remained steady at R1.12 billion. The expansion in the road upgrade projects aims to address the backlog of planned upgrades that had been deferred while the entity struggled with over-commitment. The issue of over-commitment was fully addressed in the 2021/22 financial year.

Infrastructure Commitments, R'm



CASH FLOW

Summary of the cash flow for the five years ended 31 March 2023

R'000	2022/23	2021/22	2020/21	2019/20	2018/19
Net cash flow from operating activities	(64,242)	1,104,637	694,535	1,144,453	1,202,811
Net cash flow from investing activities	(417,457)	(488,936)	(747,802)	(1,166,725)	(1,149,664)
Net cash flow from financing activities	(125)	(78)	-	(221)	(348)
Net increase/(decrease) in cash and cash equivalents	(481,824)	615,623	(53,267)	(22,493)	52,799
Cash and cash equivalents at the beginning of the year	709,936	94,313	147,580	170,073	117,274
Cash and cash equivalents at the end of the year	228,112	709,936	94,313	147,580	170,073

Cash Flow from Operating Activities: Cash flow from operating activities experienced a notable decline, moving from a positive inflow of R1,105 billion in the 2021/22 financial year to a cash outflow of R64 million in the 2022/23 financial year. This decline primarily resulted from the surrender of the unspent conditional grant of R517 million allocated for the 2021/22 financial year, coupled with an increase in the repair and maintenance expenditure on the roads and bridges of R950 million in comparison to the 2021/22 financial year. However, this decrease was offset by an increase of R317 million in the government grant compared to the 2021/22 financial year allocation.

Investing Activities Cash Flow: The cash flow from investing activities declined by R71 million (15%), from R488 million in 2021/22 to R417 million in 2022/23. This decline is primarily due to reduced investments in road upgrades and the construction of new bridges.

Cash and cash equivalents. The bank balance declined by R482 million, from R710 million in 2021/22 to R228 million in 2022/23. This decrease is primarily due to the surrendering unspent grants from the 2021/22 financial year. The remaining cash balance of R228 million at the end of the year is due to trade payables that were settled after the financial year-end.

CONTROL ENVIRONMENT

The Limpopo Provincial Treasury mandates public entities and departments to institute internal control/proactive assurance functions within their financial units to enhance financial management and the control environment. To this end, RAL has established a Proactive Assurance function, which adds an additional layer of assurance by overseeing the development and comprehensive implementation of audit action plans and risk management strategies.

This function is tasked with ensuring the prevention of non-compliance in supply chain management, a primary source of irregular expenditures. This arrangement ensures that the finance unit complies with established policies and procedures before undergoing internal and external audits, which offer supplementary assurance layers. This approach has proven effective, as reflected by the decline in non-compliance issues and other audit findings raised in the previous years. Nevertheless, the recent occurrence of irregular expenditure suggests that continued improvements are necessary, especially within the Supply Chain Management and the Proactive Assurance unit.

SUPPLY CHAIN MANAGEMENT

The ongoing historical problems in the Supply Chain Management (SCM) unit are a major cause of irregular spending. These issues mainly arise from poor management of contracts, unauthorised extensions of contracts, ongoing spending on contracts not listed in Table B5, and failure to follow necessary SCM procedures. Together, these problems highlight the existence of a weak internal control environment and vulnerabilities within SCM.

RAL strengthened its SCM unit by filling crucial vacant positions. The unit also updated policies to align with the latest regulations of the Preferential Procurement Policy Framework Act, enhancing internal controls. Additionally, a compliance checklist was developed for all committees to ensure better oversight. Training initiatives were provided to SCM personnel and bid committee members for continuous improvement.

AUDIT OUTCOME

RAL received an unqualified audit opinion from the Auditor General of South Africa (AGSA) in the 2022/23 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. Although avoiding new irregular expenditure incidents is the primary goal, the Agency is aware of the importance of obtaining condonement of irregular expenditures and is currently seeking such condonements.

FUTURE PROSPECT

In past years, the organisation struggled to make full use of the Provincial Road Maintenance Grants (PRMG). However, in the fiscal year 2022/23, the organisation successfully used its entire budget allocation. Even though the implementation of the Road Asset Management System reduced the number of audit findings related to road infrastructure assets, significant discrepancies still existed. Improvements to the RAMS system are necessary to enhance the accuracy of road infrastructure asset data. Also, the accounting system that the organisation relied on became outdated and failed to meet its needs, resulting in several inefficiencies and inaccuracies in the financial reports. Lastly, the organisation has resumed appointing contractors and consultants for road upgrades after temporarily halting all upgrade projects to address over-commitment issues.

These appointments will significantly reduce the backlog of road upgrades in the province. Given this situation, the Finance Unit has prioritised the following areas:

- Ongoing enhancement of the quality of information related to infrastructure assets.
- Selection and adoption of a more contemporary accounting system.
- Finalising the remaining standard operating procedures.
- Investments in road upgrade projects to address the road backlog.

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 judgement and estimate, in conformity, in all material respects with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP).

The directors acknowledge that they are ultimately responsible for the system of internal controls established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards of internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of authority within a clearly defined framework, accounting procedures and adequate segregation of duties to ensure acceptable levels of risk. These controls are monitored throughout the entity and employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to maintain it by ensuring that appropriate infrastructure, control, systems and ethical behaviours are 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 101 to 151 were approved by the Board of Directors and are signed on their behalf by:

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

31 July 2023

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

31 July 2023

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

31 July 2023

3. 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 101 to 151, which comprise the statement of financial position as at 31 March 2023 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 Roads Agency Limpopo as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the Generally Recognised Accounting Practice (Standards of GRAP) and 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 responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the 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 2022 were restated as a result of error in the financial statements of the entity at, and for the year ended 31 March 2023.

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 39 to the financial statements, the entity incurred irregular expenditure of R1 379 026 000, as it did not follow a proper Supply Chain Management process and spending on projects that were not budgeted for.

OTHER MATTERS

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

National Treasury Instruction No. 4 of 2022/2023: PFMA Compliance and Reporting Framework.

11. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 39 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of Roads Agency Limpopo. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS, WHICH CONSTITUTES THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

12. The Board of directors, 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.

13. 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 or to cease operations, or has no realistic alternative but to do so.

4. Report on the Audit of the Annual Performance Report

RESPONSIBILITIES OF THE AUDITOR-GENERAL FOR THE AUDIT OF THE FINANCIAL STATEMENTS

14. 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.

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

Report on the audit of the annual performance report

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programme presented in the annual performance report. The entity is responsible for the preparation of the annual performance report.

17. I selected the following programme presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected a programme that measures the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers	Purpose
Programme2: Roads Infrastructure	27-31	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.

18. I evaluated the reported performance information for the selected programme against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.

19. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives.
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements.
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated.
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents.

- the reported performance information is presented in the annual performance report in the prescribed manner.
- there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

20. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

21. I did not identify any material findings on the reported performance information of selected subject matter.

OTHER MATTERS

22. I draw attention to the matter below.

Achievement of planned targets

23. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievement. This information should be considered in the context of the material findings on the reported performance information.

24. The entity plays a key role in delivering services to South Africans. The annual performance report includes the following service delivery achievements against planned targets:

Key service delivery indicators not achieved	Planned target	Reported achievement
Number of kilometres of gravel roads upgraded	40	8,48
Number of Full-Time Equivalent (FTE) jobs created	886	437
Amount (Rands) spent on employing labourers	R72 936 559	R40 092 704
Number of SMMEs contracted	373	351

25. Reasons for the underachievement of targets are included in the annual performance report on pages 21 to 32.

5. Report on the Audit of Compliance and Legislation

REPORT ON COMPLIANCE WITH LEGISLATION

26. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.

27. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

28. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the , clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

29. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual Financial Statements

30. 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

31. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 39 to the annual financial statements, as required by section 51 (1)(b)(ii) of the PFMA. The irregular expenditure was caused by non-compliance with supply chain regulations in the prior years and current year, irregular appointment of service providers and spending not in line with the approved budget (Table B5 approved budget).

32. Expenditure was incurred in excess of the approved budget, in contravention of section 53(4) of the PFMA.

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

Strategic planning and performance management

34. 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

35. 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.

36. Some of the construction contracts were awarded to contractors that not qualify for the contract in accordance with section 18(1) of the CIDB Act and Construction Industry Development Board Regulations 17 and/or 25(7A). This non-compliance was identified in the procurement processes for the infrastructure project.

37. 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.

Other information in the annual report

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

39. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

40. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

41. 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

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

43. Management did not implement adequate internal controls to ensure the preparation of accurate financial statements as numerous material misstatements were identified that required material adjustments.

44. 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.

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

46. The entity continued to incur expenditure on projects that were not approved in terms of Table B5 (Approved budget).

47. The delegation of authority as approved by the accounting authority was not adhered to.

48. Investigation for fruitless expenditure were not conducted in line with the applicable policy.

49. HR policies are old and were not complied with by management and organisational structure was not reviewed.

Other reports

50. I draw attention to the following engagements conducted by various parties. 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.

51. The Special Investigation Unit (SIU) is currently investigating matters pertaining to supply chain management processes 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.

52. Provincial Treasury, through BDO SA is currently investigating matters pertaining to Supply Chain Management processes. The outcome of the investigation was not yet available at the time of the report.

Auditor-General

Polokwane

31 July 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

6. Annexure to the Auditor's Report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

Professional judgement and professional scepticism

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 's compliance with selected requirements in key legislation.

Financial statements

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
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the 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 a 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.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

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.

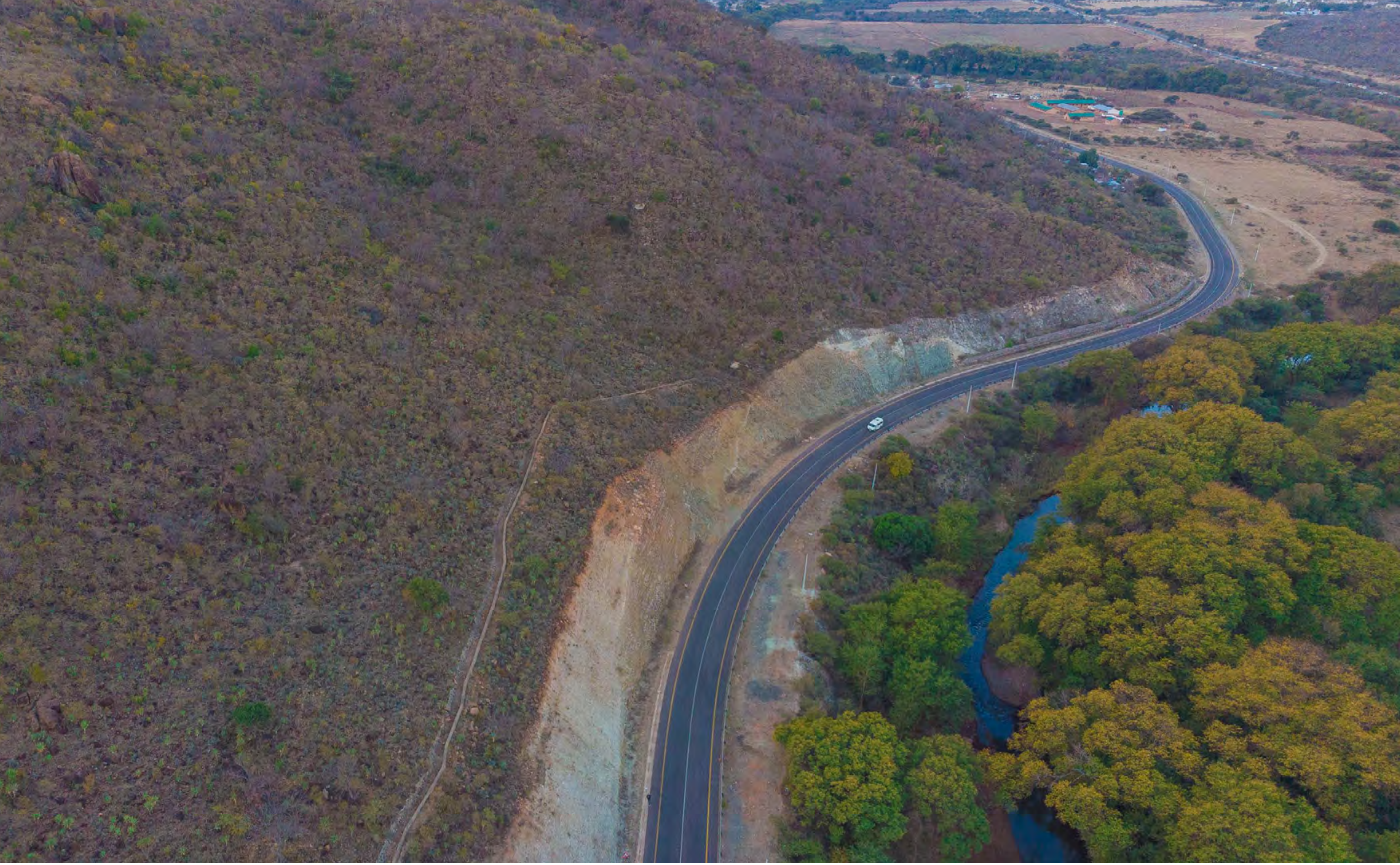
I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate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

COMPLIANCE WITH LEGISLATION – SELECTED LEGISLATIVE REQUIREMENTS

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999 (PFMA)	PFMA 51(1)(e)(iii) PFMA 53(4) PFMA 55(1)(a) PFMA 55(1)(b) PFMA 55(1)(c)(i) PFMA 57(b) PFMA 54(2)(c) PFMA 54(2)(d) PFMA 66(4)
Preferential Procurement Regulations of 2022 (PPR)	PPPFA (definition of acceptable tender) PPPFA section 2(1) (a) PPFA 2(1)(f) 2017 Preferential Procurement reg 6(8), 7(8), 10(1)&(2) & 11(1) 2022 Preferential Procurement reg 4(4) Preferential Procurement reg {2017} 5(1) & 5(3) Preferential Procurement reg 2017 5(6) Preferential Procurement reg 2017 5(7) Preferential Procurement reg {2017} 4(1) & 4(2) Preferential Procurement reg {2017} 9(1)
Limpopo Roads Agency Limited and Provincial Roads Act 7 OF 1998	All
Treasury Regulation	TR 31.1.2(c) TR 31.2.1 TR 30.1.1 TR 16A.7.1 TR 16A.7.3 TR 16A.7.6 TR 16A.7.7 TR 16A9.1(b)(ii) TR 33.1.1 TR 31.2.5 TR 31.2.7(a) TR16A8.4

Legislation	Sections or regulations
Construction Industry Development Board Act	CIDB Act 18(1)
Construction Industry Development Board Regulations	CIDB reg. 17; CIDB reg. 25(7A)
SCM instruction note	SCM instruction note 2 of 2021/22 par. 3.2.1 SCM instruction note 2 of 2021/22 par. 3.2.4 SCM Instruction Note 02 of 2021-22 par 3.2.1 (bids advertised on or after 1 April 2022) SCM instruction note 2 of 2021/22 par. 3.2.4 (b)- Only applicable to awards before 16 January 2023.
NT instruction note	NT Instruction 07 of 2017/18 par 4.3 NT Instruction 4A of 2016/17 par 6
PFMA Instruction Note	FFMA SCM instruction note 03 of 2021/22 par 4.1. PFMA instruction note no.3 of 2021/22 definition PFMA instruction note no.3 of 2021/22 par. 4.2 (b) PFMA SCM Instruction No. 3 of 2021/22 par. 7.2 (tenders advertised on or after 1 April 2022) PFMA SCM instruction note 03 of 2021/22 par 4.1. PFMA instruction note no.3 of 2021/22 definition PFMA instruction note no.3 of 2021/22 par. 4.2 (b) PFMA instruction note no.3 of 2021/22 par. 4.3 PFMA instruction note no.3 of 2021/22 par. 4.4 (c)
Companies Act	Co Act 46(1)(a) Co Act 46(1)(b) Co Act 46(1)(c)



Road D1392 in Sekhukhune District is one of the successful preventative maintenance projects undertaken in the 2022/23 financial year.

7. Directors' Report

The Board of Directors of the Roads Agency Limpopo (SOC) Ltd has pleasure in presenting the annual report on the activities of the entity for the financial year ended 31 March 2023.

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. C.N. Rakgoale, 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 242 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 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 five (5) 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, 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 Roads Agency Limpopo (SOC) Ltd are reflected in the statement of financial position.

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

9. FRUITLESS AND WASTEFUL AND IRREGULAR EXPENDITURE

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

10. DIRECTORS

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

- Mr M.S. Ralebipi – Chairperson of the Board of Directors
- Ms W.N.G. Moleko – Independent Non-Executive Director
- Ms T.M. Ramabulana – Independent Non-Executive Director
- Ms M.G. Mokoka – Independent Non-Executive Director
- Adv. K.B. Morota - Independent Non-Executive Director
- Ms S.R. Mushwana – Independent Non-Executive Director
- Mr .M.J. 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

12. COMPANY SECRETARY

Ms Tebogo C. Kekana FCG (CS) was the Company Secretary of RAL during the year under review.

13. 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.

Through a Strategic Partnership between Roads Agency Limpopo and eight mines in the Sekhukhune District, the construction of a new Steel Bridge on road D2219 at Ga-Malekane village in the Fetakgomo-Tubatse Local Municipality began in the 2022/23 financial year.

Hon. MEC Nkakareng Rakgoale was appointed in the 2022/23 financial year as MEC for the Limpopo Department of Public Works, Roads and Infrastructure thereby becoming RAL Shareholder Representative; and pronounced the need for maximum spending as her priority to the RAL Board of Directors.

PART G FINANCIAL STATEMENTS

1. Statement of Financial Position as at 31 March 2023

Figures in Rand Thousand (Restated)	Note(s)	2023	2022
Current Assets			
Inventories	7	312	353
Receivables from exchange transactions	8	8,384	5,669
Cash and cash equivalents	9	228,112	709,936
		236,808	**715,958**
Non-Current Assets			
Property, plant and equipment	3	21,367,708	22,480,768
Intangible assets	4	154	-
Other financial assets	6	2,340	2,550
		21,370,202	**22,483,318**
Total Assets		**21,607,010**	**23,199,276**
Liabilities			
Current Liabilities			
Retentions	5	25,775	35,109
Finance lease obligation	11	157	125
Payables from exchange transactions	12	268,708	248,779
Payables from non-exchange transactions	13	599	521,718
		295,239	**805,731**
Non-Current Liabilities			
Retentions	5	63,500	35,206
Finance lease obligation	11	133	290
		63,633	**35,496**
Total Liabilities		**358,872**	**841,227**
Net Assets		**21,248,138**	**22,358,049**
Share capital/contributed capital	10	1	1
Accumulated surplus		21,248,137	22,358,048
Total Net Assets		**21,248,138**	**22,358,049**

2. Statement of Financial Performance

Figures in Rand Thousand (Restated)	Note(s)	2023	2022
Revenue			
Revenue from exchange transactions			
Other income	19	1,514	12,459
Interest income	20	11,826	3,015
Gain on disposal of assets	17	-	10
Total revenue from exchange transactions		**13,340**	**15,484**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	21	2,092,717	1,254,440
Contributions by other entities	22	6,440	153
Other revenue from non-exchange transactions	15	-	51,569
Total revenue from non-exchange transactions		**2,099,157**	**1,306,162**
Total revenue	**14**	**2,112,497**	**1,321,646**
Expenditure			
Employee related costs	23	(92,710)	(80,936)
Depreciation and amortisation	24	(1,566,674)	(2,340,663)
Impairment loss	25	(26,257)	(169,763)
Contractors expenses	16	(10,607)	-
Interest and penalties	26	(82)	(30)
Repairs and maintenance	18	(1,413,540)	(500,592)
Provision for bad debts	27	-	(202)
Derecognition of roads and bridges	29	(9,971)	(4,938)
Loss on disposal of assets	17	(20)	-
General expenses	28	(89,208)	(94,744)
Total expenditure		**(3,209,069)**	**(3,191,868)**
Deficit for the year		**(1,096,572)**	**(1,870,222)**

3. Statement of Changes in Net Assets

Figures in Rand Thousand (Restated)	Share capital/ contributed capital	Accumulated surplus	Total net assets
Opening balance as previously reported	1	19,435,604	19,435,605
Adjustments correction of errors	-	4,798,207	4,798,207
Balance at 01 April 2021 as restated*	**1**	**24,233,811**	**24,233,812**
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	-	(1,870,222)	(1,870,222)
Total recognised income and expenses for the year	-	(1,875,763)	(1,875,763)
Total changes	-	(1,875,763)	(1,875,763)
Balance at 01 April 2022	**-**	**22,358,049**	**22,358,049**
Changes in net assets transfer of own revenue	-	(13,340)	(13,340)
Net losses recognised directly in net assets	-	(13,340)	(13,340)
Deficit for the year	-	(1,096,572)	(1,096,572)
Total recognised income and expenses for the year	-	(1,109,912)	(1,109,912)
Total changes	-	(1,109,912)	(1,109,912)
Balance at 31 March 2023	**1**	**21,248,137**	**21,248,139**

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

4. Cash Flow Statement

Figures in Rand Thousand (Restated)	Note(s)	2023	2022
Cash flows from operating activities			
Receipts			
Grants		2,092,657	1,786,771
Interest income		12,294	1,867
Other receipts		1,425	949
		2,106,376	**1,789,587**
Payments			
Employee costs		(93,093)	(79,499)
Goods and services		(130,195)	(140,297)
Interest and penalties		(82)	(30)
Repairs and maintenance		(1,412,847)	(462,393)
Other payments		(534,401)	(2,731)
		(2,170,618)	**(684,950)**
Net cash flows from operating activities	**31**	**(64,242)**	**1,104,637**
Cash flows from investing activities			
Purchase of other intangible assets	4	(231)	-
Purchase of property, plant and equipment		(417,436)	(489,187)
Proceeds from sale of assets		-	131
Deposit refunded on borrow pit		210	120
Net cash flows from investing activities		**(417,457)**	**(488,936)**
Cash flows from financing activities			
Finance lease payments		(125)	(78)
Net increase/(decrease) in cash and cash equivalents		**(481,824)**	**615,623**
Cash and cash equivalents at the beginning of the year		709,936	94,313
Cash and cash equivalents at the end of the year	**9**	**228,112**	**709,936**

5. Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
Figures in Rand Thousand (Restated)	**Approved budget**	**Adjustments**	**Final Budget**	**Actual amounts on comparable basis**	**Difference between final budget and actual**	**Reference**
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income-(roll up)	1,225	(195)	1,030	1,514	484	#1
Interest received-investment	2,330	6,744	9,074	11,826	2,752	#2
Total revenue from exchange transactions	**3,555**	**6,549**	**10,104**	**13,340**	**3,236**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1,540,410	552,248	2,092,658	2,092,717	59	
Contributions by other entities	-	-	-	6,440	6,440	#3
Total revenue from exchange transactions	**1,540,410**	**552,248**	**2,092,658**	**2,099,157**	**6,499**	
Total revenue	**1,543,965**	**558,797**	**2,102,762**	**2,112,497**	**9,735**	
Expenditure						
Personnel	(106,486)	(1)	(106,487)	(92,710)	13,777	#4
Depreciation	-	-	-	(1,566,674)	(1,566,674)	#5
Impairment loss/Reversal of impairments	-	-	-	(26,257)	(26,257)	#5
Contractors expenses	-	-	-	(10,607)	(10,607)	#6
Finance costs and penalties	(12)	12	-	(82)	(82)	
Repairs and Maintenance	(696,265)	(527,031)	(1,223,296)	(1,413,540)	(190,244)	#7
General Expenses	(94,424)	(4,892)	(99,316)	(89,208)	10,108	#8
Property, plant and equipment	(643,223)	(20,336)	(663,559)	(483,347)	180,212	#9
Derecognition of roads and bridges	-	-	-	(9,971)	(9,971)	#10
Total expenditure	**(1,540,410)**	**(552,248)**	**(2,092,658)**	**(3,692,396)**	**(1,599,738)**	
Operating deficit	**3,555**	**6,549**	**10,104**	**(1,579,899)**	**(1,590,003)**	
Loss on disposal of assets and liabilities	-	-	-	(20)	(20)	
Surplus/(Deficit) for the year	**3,555**	**6,549**	**10,104**	**(1,579,919)**	**(1,590,023)**	
	3,555	**6,549**	**10,104**	**(1,579,919)**	**(1,590,023)**	

Budget on Accrual Basis						
Figures in Rand Thousand (Restated)	**Approved budget**	**Adjustments**	**Final Budget**	**Actual amounts on comparable basis**	**Difference between final budget and actual**	**Reference**
Comments and variance analysis						
#1. Other Income: Increase in other income is mainly caused by the volume of applications for access roads exceeding estimations.						
#2.Interest Income: Exceeded budget due to higher bank balance in the last quarter of the financial year.						
#3.Contributions by other entities: Revenue from contributions by other entities was not budgeted for in the current year.						
#4. Personnel expenditure: Under spending on personnel expenditure was due to delays in filling vacant positions.						
#5.Depreciation and impairment: The entity does not budget for non-cash items and interest.						
#6. Contractors expenses: Contractors expenses comprise of expenses claimed by the contractors that do not qualify to be capitalised in the asset register. These were not budgeted for in the current year.						
#7. Repairs and maintenance: Higher spending was caused by maintenance projects requiring more funds than initially budgeted.						
#8. General expenses: Lower expenditure was caused by delays in the appointment of service providers for organisational design and internal audit service due to bidders not complying with specifications as well as a saving on the Roads Asset Management project.						
#9. Property, Plant and Equipment: Under spending was caused by delayed completion of designs for upgrading projects which resulted in delayed construction of most upgrading projects.						
#10. Derecognition of roads and bridges: The expenditure emanates from unpaved roads that were upgraded to paved in the current financial year. This is a non-cash expense and was not budgeted for in the current year.						
The initial budget of R1.540 billion was increased to R2.093 billion during the year due to the approval of a rollover of R517 million from prior financial year as well as an additional budget allocation of R35 million.						

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.

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 derecognised.

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

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

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

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

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

Item	Depreciation method	Average use fullife
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.

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

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

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

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

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

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 at the bank, 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 amortised cost.

Trade and other payables

Trade and other payable are stated at amortised 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 amortised cost. The carrying amount approximates fair value due to the short period to maturity. Cash and cash equivalents comprise cash at the bank.

Trade and other receivables

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

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

Impairment of financial assets

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

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

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

Reversals of impairment losses are recognised in the surplus.

Derecognition of financial instruments

A financial asset is derecognised when:

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

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

Financial risk management

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

Credit risk and market risk

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

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

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

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

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 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.

1.8 Inventories

RAL's inventories comprise of consumables.

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

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

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

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

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

1.9 Impairment of non-cash-generating assets

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

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. Termination benefits are employee benefits payable as a result of either:

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the pre payment 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.

1.11 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 out flow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- are liable 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.

1.12 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.

1.13 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.

1.14 Revenue from non-exchange transactions

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

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

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

Measurement

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

Government grants

Government grants are recognised as revenue when:

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

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

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

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

Other grants and donations

Other grants and donations are recognised as revenue when:

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

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

1.15 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.

1.16 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.

1.17 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.

1.18 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.

1.19 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);
- 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.

1.20 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.

1.21 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.

1.22 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.

7. Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2023 or later periods:

Standard / interpretation:	Effective date Years beginning on or after	Expected impact
Amendments to GRAP1 on Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact
IGRAP 21 on The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
Improvements to Standards of GRAP (2021)	01 April 2023	Unlikely there will be a material impact
GRAP 25 on Employee Benefits (and IGRAP 7)	01 April 2023	Unlikely there will be a material impact
GRAP 104 on Financial Instruments	01 April 2023	Unlikely there will be a material impact

3. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand Thousand (Restated)	2023			2022		
	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	(35,142)	45,923	81,065	(33,607)	47,458
Furniture and fixtures	5,900	(3,753)	2,147	5,367	(3,466)	1,901
Motor vehicles	1,378	(631)	747	1,378	(518)	860
Office equipment	3,493	(1,867)	1,626	2,802	(1,463)	1,339
IT equipment	9,682	(5,991)	3,691	7,652	(4,944)	2,708
Roads and bridges	47,674,075	(27,854,371)	19,819,704	47,051,814	(26,276,169)	20,775,645
Roads and bridges under construction	1,490,170	-	1,490,170	1,647,157	-	1,647,157
Total	**49,269,463**	**(27,901,755)**	**21,367,708**	**48,800,935**	**(26,320,167)**	**22,480,768**

Figures in Rand Thousand (Restated)

Reconciliation of property, plant and equipment -2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	3,700	-	-	-	-	-	3,700
Buildings	47,458	-	-	-	(1,535)	-	45,923
Furniture and fixtures	1,901	534	-	-	(288)	-	2,147
Motor vehicles	860	-	-	-	(113)	-	747
Office equipment	1,339	693	(2)	-	(404)	-	1,626
IT equipment	2,708	2,055	(18)	-	(1,054)	-	3,691
Roads and bridges	20,775,645	-	(9,972)	643,492	(1,563,204)	(26,257)	19,819,704
Roads and bridges under construction	1,647,157	486,505	-	(643,492)	-	-	1,490,170
	22,480,768	**489,787**	**(9,992)**	**-**	**(1,566,598)**	**(26,257)**	**21,367,708**

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	22,480,534	51,546	(4,915)	755,984	(2,337,741)	(169,763)	20,775,645
Roads and bridges under construction	1,826,067	577,074	-	(755,984)	-	-	1,647,157
	24,366,543	**629,683**	**(5,036)**	**-**	**(2,340,659)**	**(169,763)**	**22,480,768**

Figures in Rand Thousand (Restated)	2023	2022
Assets subject to finance lease (Net carrying amount)		
Office equipment	254	403
Property, plant and equipment derecognised		
Property, plant and equipment derecognised		
Roads and bridges (Unpaved roads upgraded to paved roads)	9,971	-

The derecognition of unpaved roads which were improved to paved roads with a carrying amount of R9 971 000, cost of R21 230 000 and accumulated depreciation of R11 259 000.

Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and maintenance	1,413,540	500,592

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 4 (2022:6) projects with a carrying amount of R995.811 million (2022: R1. 023 billion) 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. One project with a carrying amount of R229.634 million was halted due to lack of funds. In 2022, two projects with a carrying amount of R92.239 million were halted during their construction. However, none of these two projects were found to be impaired.

4. INTANGIBLE ASSETS

Figures in Rand Thousand (Restated)	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,045	(1,891)	154	1,814	(1,814)	-
Website design	1,661	(1,661)	-	1,661	(1,661)	-
Total	**3,706**	**(3,552)**	**154**	**3,475**	**(3,475)**	**-**

Reconciliation of intangible assets - 2023	Opening balance	Additions	Amortisation	Total
Computer software	-	231	(77)	154

Reconciliation of intangible assets - 2022	Opening balance	Amortisation	Total
Computer software	3	(3)	-

5. RETENTIONS

Figures in Rand Thousand (Restated)	2023	2022
Infrastructure projects		
Retentions	89,276	70,315
Non-current liabilities	63,500	35,206
Current liabilities	25,775	35,109
	89,275	**70,315**

6. OTHER FINANCIAL ASSETS

Residual interest at cost		
Returnable rehabilitation deposit	2,340	2,550
Other financial assets relates to refundable deposits made to the Department of Minerals Resources for rehabilitation of borrow pits used for entity's projects		

7. INVENTORIES

Consumable stores	312	353

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 R415 000 (2022: R399 000)

8. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Figures in Rand Thousand (Restated)	2023	2022
Trade debtors	1,637	1,457
Prepayments	388	659
Students and staff bursaries	2,767	2,449
Advance payments	3,183	-
Provision for doubtful debts	(1,389)	(1,389)
Other debtors	1,019	1,247
Accrual interest	779	1,246
	8,384	**5,669**

Trade and other receivables past due but not impaired		
Trade and other receivables which are less than three months past due are not considered to be impaired. At 31 March 2023, R425 000 (2022: R24 000) were past due but not impaired.		

The ageing of amounts past due but not impaired is as follows:		
1 month past due	-	24
>3 months past due	425	-

Trade and other receivables impaired		
The ageing of the receivables impaired is as follows:		
Over six months	1,389	1,389

Figures in Rand Thousand (Restated)	2023	2022
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	1,389	1,187
Provision for impairment	-	202
	1,389	**1,389**

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:		
Bank balances (ABSA current account)	228,112	709,936

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

Figures in Rand Thousand (Restated)	2023	2022
Minimum lease payments due		
- within one year	208	207
- in second to fifth year inclusive	145	352
	353	559
less: future finance charges	(63)	(145)
Present value of minimum lease payments	**290**	**414**

Present value of minimum lease payments due		
- within one year	157	125
- in second to fifth year inclusive	133	289
	290	**414**

Non-current liabilities	157	125
Current liabilities	133	289
	290	**414**

It is entity policy to lease office equipment under finance leases.
The average lease term was three years starting from 1 December 2021 to 30 November 2024 and the average effective borrowing rate was 22.79% (2022: 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. PAYABLES FROM EXCHANGE TRANSACTIONS

Figures in Rand Thousand (Restated)	2023	2022
Trade payables	241,377	200,151
Payments received in advance-Debtors with credit balances	25	60
Payables - Partnerships	19,038	19,038
13th Cheque	1,126	1,010
Leave accrual	4,984	5,293
Accrued expense	1,271	709
3rd Party	870	821
Other payables	17	21,697
	268,708	**248,779**

Other payables for 2022 includes 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 at the end of 2021/22 financial year.The review has been finalised and confirmed that an amount of R21 503 000 was payable to the contractors at the end of 2021/22 financial year and was settled during 2022/2023 financial year. Other payables in 2023 relates to directors fees payable.

Aging of trade payables		
0-30 days	241,377	197,314
Over 90 days	-	2,837
	241,377	**200,151**

13. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Figures in Rand Thousand (Restated)	2023	2022
Government grants received but not spent	(59)	517,248
Other payables own revenue - LDPWRI	658	4,470
	599	**521,718**

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.

14. REVENUE

Figures in Rand Thousand (Restated)	2023	2022
Other income	1,514	12,459
Interest received	11,826	3,015
Government grants & subsidies	2,092,717	1,254,440
Contributions by other entities	6,440	153
	2,112,497	**1,270,067**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Other income	1,514	12,459
Interest received	11,826	3,015
	13,340	**15,474**

The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants & subsidies	2,092,717	1,254,440
Contributions by other entities	6,440	153
	2,099,157	**1,254,593**

15. OTHER REVENUE FROM NON-EXCHANGE TRANSACTIONS

Figures in Rand Thousand (Restated)	2023	2022
Other revenue from non-exchange transactions	-	51,569
Other revenue from non-exchange transactions relates to new road links that were taken-on in 2021/2022 and accounted for as part of prior period error note 34.		

16. CONTRACTORS EXPENSES

Contractors expenses	10,607	-

Contractors expenses relates to expenses claimed by the contractors on contruction projects that do not qualify for capitalisation in the asset register.

17. GAIN/LOSS ON DISPOSAL OF ASSETS

Gain/loss on disposal of assets	(20)	10

The entity disposed assets with a carrying amount of R20 000 (2022: R121 000) and realised a loss of R20 000 (2022: R10 000).

18. REPAIRS AND MAINTENANCE

Figures in Rand Thousand (Restated)	2023	2022
Land and building		
Repairs and maintenance	620	227
Motor vehicles		
Repairs and maintenance	17	47
Equipment		
Repairs and maintenance	56	20
Furniture and fittings		
Repairs and maintenance	-	25
Roads and bridges		
Repairs and maintenance	1,412,847	500,273
	1,413,540	**500,592**

Expenditure relating to Roads Asset Management System of R20 061 000 (2022:R38 704 000) has been reclassified from repairs and maintenance to professional fees under General Expenses note.

19. OTHER INCOME

Application fees	782	668
Rental billboards	424	513
Sundry income	197	11,180
Rental of aerial space	111	98
	1,514	**12,459**

20. INTEREST INCOME

Figures in Rand Thousand (Restated)	2023	2022
Interest revenue		
Bank	11,773	2,866
Interest charged on trade and other receivables	53	149
	11,826	**3,015**

21. GOVERNMENT GRANTS AND SUBSIDIES

Operating grants		
Administration - Equitable share grant	186,015	177,090
Infrastructure projects - Equitable share grant	934,536	593,044
Infrastructure projects - Conditional grants	972,166	484,306
	2,092,717	**1,254,440**

22. CONTRIBUTIONS BY OTHER ENTITIES

Contributions by other entities	6,440	153

23. EMPLOYEE RELATED COSTS

Figures in Rand Thousand (Restated)	2023	2022
Basic	58,280	50,733
Bonus	6,173	3,365
Medicalaid - company contributions	778	730
UIF	200	184
Leave pay provision charge	381	614
Travel and housing allowances	19,684	17,784
Other allowances	475	1,430
Post retirement benefit plan - defined contribution	6,739	6,096
	92,710	**80,936**

24. DEPRECIATION AND AMORTISATION

Property, plant and equipment	1,566,597	2,340,660
Intangible assets	77	3
	1,566,674	**2,340,663**

25. IMPAIRMENT LOSS

Impairments		
Property, plant and equipment	26,257	169,763

26. INTEREST AND PENALTIES

Figures in Rand Thousand (Restated)	2023	2022
Finance leases	82	30

27. PROVISION FOR BAD DEBTS

Contributions to debt impairment provision	-	202

28. GENERAL EXPENSES

Internal Audit fees	1,784	3,227
Marketing and public relations	12,361	8,852
Assessment rates & municipal charges	1,648	1,569
Auditors fees and expenses	6,603	5,334
Bank charges	64	45
Cleaning	144	444
Computer expenses	5	42
Consulting and professional fees	20,935	42,606
Consumables	415	399
Insurance	594	521
Conferences and seminars	1,324	599
Magazines, books and periodicals	20	-
Motor vehicle expenses	20	18
Accommodation	1,054	796
Fuel and oil	297	58
Postage and courier	6	6

Figures in Rand Thousand (Restated)	2023	2022
Printing and stationery	342	226
Security	1,478	1,738
Subscriptions and membership fees	262	243
Telephone and fax	1,804	1,696
Training	949	711
Subsistence and travel	6,094	4,619
Uniforms	43	152
Licenses	1,543	1,248
Catering expenses	182	33
Rentals	1,287	1,245
Legal expenses	16,316	14,918
Bursaries	841	777
Court settlements	8,820	1,377
Directors remunerations	966	958
Recruitment costs	1,007	288
	89,208	**94,745**

Court settlement mainly relates to claims for car damages on our roads due to potholes. Expenditure relating to Roads Asset Management System of R20 061 000 (2022: R38 704 000) has been reclassified from repairs and maintenance to professional fees.

29. DERECOGNITION OF ROADS AND BRIDGES

Derecognition of roads and bridges	9,971	4,938

30. AUDITORS' FEES AND EXPENSES

Figures in Rand Thousand (Restated)	2023	2022
Fees and expenses	6,603	5,334

31. CASH (USED IN) GENERATED FROM OPERATIONS

Deficit	(1,096,572)	(1,870,222)
Adjustments for:		
Depreciation and amortisation	1,566,674	2,340,663
Gain / loss on sale / writeoff of assets	20	(10)
Impairment loss	26,257	169,763
Debt impairment	-	202
Movements in provisions	-	(9,307)
Roads and bridges constructed by other entities	(6,440)	(153)
Transfer of own revenue	(17,153)	(2,731)
Derecognition of roads and bridges	9,971	(46,634)
Changes in working capital:		
Inventories	41	(40)
Receivables from exchange transactions	(2,715)	(1,776)
Receivables from non-exchange transactions	-	15,083
Payables from exchange transactions	(27,078)	(7,448)
Payables from non-exchange transactions	(517,247)	517,247
	(64,242)	**1,104,637**

32. COMMITMENTS

Figures in Rand Thousand (Restated)	2023	2022
Authorised capital expenditure		
Already contracted for but not provided for		
Roads construction	1,327,749	321,714
Roads maintenance and rehabilitation	1,069,348	1,047,753
Roads Asset Management System	57,109	78,892
	2,454,206	**1,448,359**
Total capital commitments		
Already contracted for but not provided for	2,454,206	1,448,359
Authorised operational expenditure		
Already contracted for but not provided for		
Property, plant and equipment	571	37
Other commitments	8,308	19,030
	8,879	**19,067**
Total operational commitments		
Already contracted for but not provided for	8,879	19,067
Total commitments		
Total commitments		
Authorised capital expenditure	2,454,206	1,448,359
Authorised operational expenditure	8,879	19,067
	2,463,085	**1,467,426**

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

Figures in Rand Thousand (Restated)

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 2023 is R53.905 million (2022: R49.918million) and R53.320 million (2022: R49.602 million) respectively. An amount of R4.300 million (2022: R4.300 million) has been reclassified from other contingent liabilities to motor vehicle accidents in the current year.

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 2023 is R46.486 million (2022: R46.486 million) and R14.486 million (2022: 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 R26.970 million (2022: 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 2023 is R25.970 million (2022: 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 R94.198 million (2022: R88.670 million) while total settlements at 31 March 2023 are estimated at R92.565 million (2022: R87.038 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 2023 is R2.292 million (2022: R2.382million) and R2.292 million (2022: R2.382 million) respectively.

33.2 Contingent assets

Figures in Rand Thousand (Restated)	2023	2022
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 (2022: R64.907 million) from contractors and engineers in order to correct the defects.		

34. RELATED PARTIES

Relationships	
Directors	Refer to members' report note on Directors emoluments
Ultimate controlling entity	Limpopo Departmentof Public Works, Roads and Infrastructure (LDPWRI)
Controlling entity	Limpopo Department of Public Works, Roads and Infrastructure (LDPWRI)
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 trade receivable (trade payable) from non-exchange transactions regarding related parties		
Limpopo Department of Public Works, Roads and Infrastructure (LDPWRI)	(599)	(521,718)

Related party transactions		
Own revenue paid to (received from) related parties		
Limpopo Department of Public Works, Roads and Infrastructure (LDPWRI)	13,340	5,541

Government grant recognised

Figures in Rand Thousand (Restated)	2023	2022
Limpopo Department of Public Works, Roads and Infrastructure (LDPWRI)	2,092,717	1,254,440

Directors fees receivable (payable)

RAL directors	77	-

Remuneration of directors and management

Executive management

2023

Name	Basic salary	Travel and housing allowances	Bonuses and performance related payments	Medical and pension contributions	Other allowances	Acting allowance	Total
G Maluleke (Chief Executive Officer)	2,052	-	-	-	1,368	-	3,420
K Tulsi (GM: Planning)	1,293	633	194	184	-	-	2,304
M Ramaboea (GM: Operations)	1,398	675	220	212	-	-	2,505
H Magopa (CFO)	1,343	637	206	201	-	-	2,387
J Boshielo (Executive: Corporate Services) (Contract expired: 31 December 2022)	1,123	391	-	148	-	-	1,662
M Manyathela (Acting Executive: Corporate Services - 1 January to 31 March 2023)	255	97	147	38	-	66	603
S Gamakulu (Executive: Monitoring) (Contract expired: 31 December 2022)	958	442	-	140	-	-	1,540
N Mudau (Acting Executive: Monitoring - Appointed 1 August 2022 and Acting from 1 March - 31 March 2023)	92	46	-	15	-	-	153
K Maphutha (Snr Manager: Risk and Compliance)	978	354	139	139	-	-	1,610
T Kekana (Company Secretary)	1,177	430	167	165	-	-	1,939
	10,669	**3,705**	**1,073**	**1,242**	**1,368**	**66**	**18,123**

2022						
Figures in Rand Thousand (Restated)						
	Basic salary	**Travel and housing allowances**	**Bonuses and performance related payments**	**Medical and pension contributions**	**Other allowances**	**Total**
Name						
G Maluleke (Chief Executive Officer)	1,933	-	160	-	1,289	3,382
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: CorporateServices)	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
	10,042	**3,724**	**708**	**1,249**	**1,289**	**17,012**

35. DIRECTORS' EMOLUMENTS

Figures in Rand Thousand (Restated)		
2023	**Emoluments**	**Total**
Non-Executive Directors		
M.S Ralebipi (Chairperson)	189	189
W.N.G Moleko (Chairperson: Planning and Contracts)	124	124
M. Mokoka (Chairperson: Audit and Risk)	105	105
T.M Ramabulana (Chairperson: Remuneration)	120	120
K.B Morota (Board Member)	86	86
S.R Mushwana (Board Member)	88	88
	712	**712**
2022		
M.S Ralebipi (Chairperson)	121	121
W.N.G Moleko (Chairperson: Planning and Contracts)	97	97
M Mokoka (Chairperson: Audit and Risk)	115	115
T.M Ramabulana (Chairperson: Remuneration)	99	99
K.B Morota (Board Member)	87	87
S.R Mushwana (Board Member)	80	80
	599	**599**

Audit and Risk Committee Members

2023	Emoluments	Total
Z Samsam (Member) (Ceased to be a member on 5 August 2022)	25	25
B Mutheiwana (Member)	75	75
N. Skeepers (Member)	64	64
	164	**164**

Figures in Rand Thousand (Restated)		
2022	**Emoluments**	**Total**
Z Samsam (Member)	66	66
B Mutheiwana (Member)	66	66
N. Skeepers (Member)	71	71
	203	**203**

36. PRIOR PERIOD ERRORS

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

During the road inspection, RAL discovered several new road links, roads that do not belong to RAL that were incorrectly capitalised and roads that were incorrectly classified. The errors were corrected by adding the new road links, derecognising roads that do not belong to RAL and reclassifying roads into paved and unpaved.

RAL embarked in a process of reviewing the useful lives of road infrastructure assets. This process allowed RAL to determine the carrying amount of assets that were accounted for at zero carrying amount while they are still in use.

The road upgrade expenditure on the project T539C – Tompi Seleka to Mogaladi to Phokwane– was incorrectly expensed in the previous year, resulting in an under statement of roads and bridges under construction, and accumulated surplus.

The finance lease obligation was reported as a non-current liability in the previous year. The lease has been reclassified into current and non-current liabilities in the current financial year.

Expenditure relating to Roads Asset Management System of R20 061 000 (2022: R38 704 000) has been reclassified from repairs and maintenance to professional fees in the current year.

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

Figures in Rand Thousand (Restated)

Statement of financial position - extract

	Comparative figures previously reported	Effect of the error	After correction
Property, plant and equipment	17,818,204	4,662,564	22,480,768
Accumulated surplus	(17,695,482)	(4,662,564)	(22,358,048)
Finance lease obligation - current	(414)	289	(125)
Finance lease obligation - non-current	-	(289)	(289)
Total	**122,308**	**-**	**122,306**

Statement of financial performance- extract

	Comparative figures previously reported	Effect of the error	After correction
Depreciation and amortisation	(2,155,668)	(184,995)	(2,340,663)
Impairment loss	(172,458)	2,695	(169,763)
General expenses	(56,041)	(38,704)	(94,745)
Repairs and maintenance	(539,296)	38,704	(500,592)
Derecognition of roads and bridges	(23)	(5,265)	(5,288)
Other revenue from non-exchange transactions	-	51,569	51,569
Total	**(2,923,486)**	**(135,996)**	**(3,059,482)**

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. The entity's cash and cash equivalents are held with ABSA bank which has a high credit rating. The bank had a national short-term credit rating of A-1+ and a long term credit rating of AA as at 08 March 2023. The high rating is an indication of a low defaulting risk on cash deposits.

Trade receivables comprise contracts for advertising on billboards built alongside the roads. Management evaluates credit risk relating to customers at the beginning of the contract. The assessment of the credit quality of the customer takes the customer's financial position, past experience and other relevant factors into account.

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

Figures in Rand Thousand (Restated)	2023	2022
Financial instrument		
Receivables from exchange transactions	8,384	5,669
Non-current receivables	2,340	2,550
Cash and cash equivalents	228,112	709,936

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:

Figures in Rand Thousand (Restated)	2023	2022
Receivables from exchange transactions	8384	5669
Cashand cash equivalents	228 112	709 936

Liquidity risk table

Figures in Rand Thousand (Restated)						
2023						
	Not later than one month	Later than one month	Due in one to two years	Due in two to three years	Due in three to four years	Total
Payables from exchange transactions	243,560	25,148	-		-	268,708
Payables from non-exchange transactions	599	-	-		-	599
Retentions	-	-	25,775	63,500	-	89,275
2022						
Financial instrument	**Not later than one month**	**Later than one month**	**Due in one to two years**	**Due in two to three years**	**Due in three to four years**	**Total**
Payables from exchange transactions	223,438	25,341	-	-	-	248,779
Payables form non-exchange transactions	517,248	4,470	-	-	-	521,718
Retentions	-	-	35,109	35,206	-	70,315

38. GOING CONCERN

Figures in Rand Thousand (Restated)	2023	2022

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.

39. IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

Irregular expenditure	1,379,026	674,668
Fruitless and wasteful expenditure	8,043	-
Total	**1,387,069**	**674,668**
Total	**1,387,069**	**674,668**

No criminal or disciplinary steps were taken as a result of losses, irregular and fruitless and wasteful expenditure in the current financial year.

NOTES

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