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**ANNUAL  
REPORT**

**/2021**







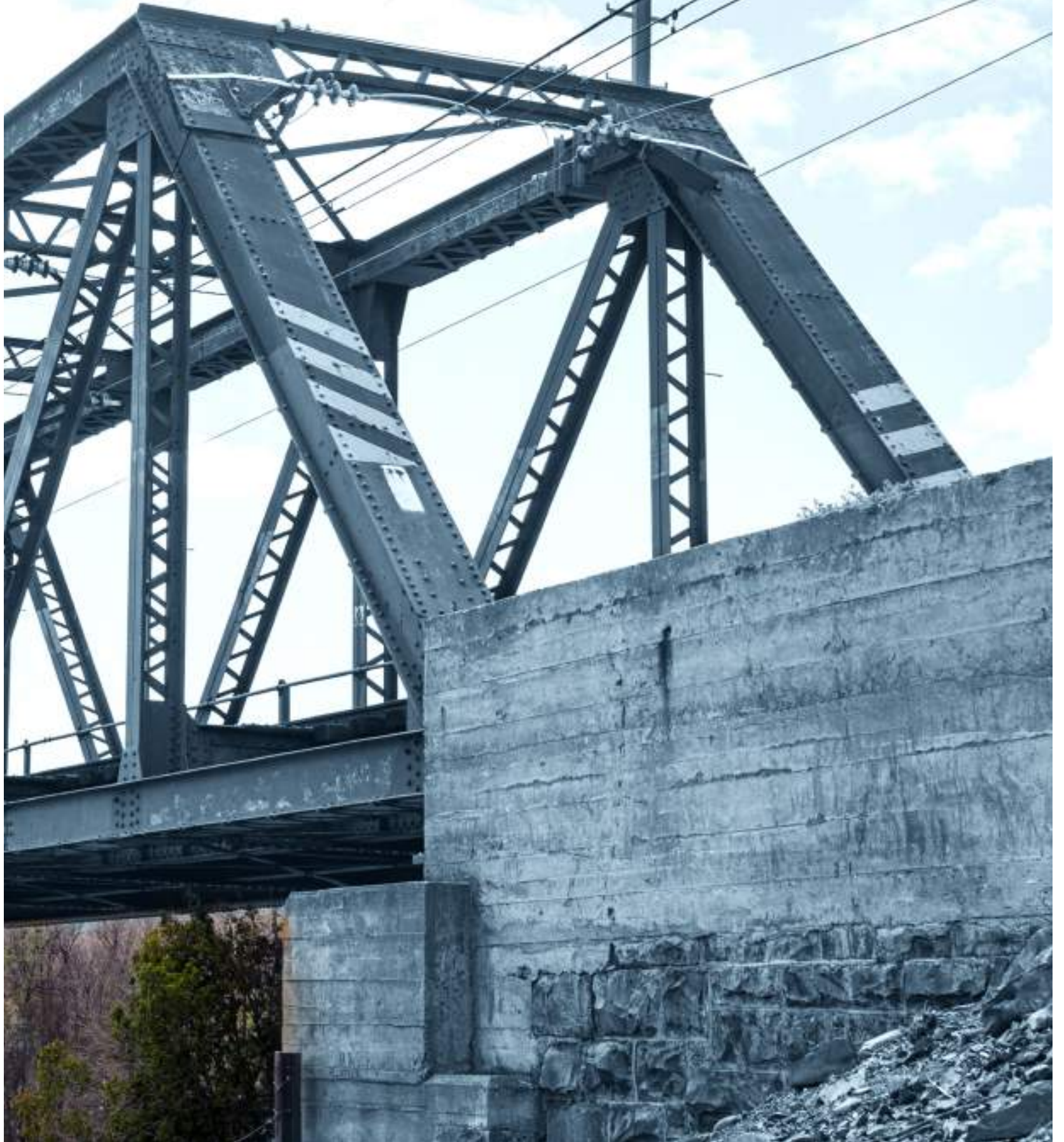
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# Part A: General information



## Public entity's general information

<b>Registered Name:</b>	Railway Safety Regulator
<b>Registered Office Address:</b>	Building 4, Waterfall Point Office Park, Cnr. Waterfall and Woodmead Drive, Waterfall City, Midrand, 1685, South Africa
<b>Postal Address:</b>	P.O. Box 11202, Centurion, 0051, South Africa
<b>Contact Telephone Number/s:</b>	+27 10 495 5291
<b>Email address:</b>	<a href="mailto:comms@rsr.org.za">comms@rsr.org.za</a>
<b>Website Address:</b>	<a href="https://www.rsr.org.za">https://www.rsr.org.za</a>
<b>External Auditors:</b>	Auditor General of South Africa 271 Veale Street, Muckleneuk, 0181
<b>Banker:</b>	ABSA
<b>Company/Board Secretary:</b>	Vacant

## List of abbreviations/Acronyms

<b>AFS</b>	Annual Financial Statements	<b>NRSRA</b>	Nationally Recognised Statistical Rating Agency
<b>AGSA</b>	Auditor General of South Africa	<b>PFMA</b>	Public Finance Management Act
<b>APP</b>	Annual Performance Plan	<b>PRASA</b>	Passenger Rail Agency of South Africa
<b>ASB</b>	Accounting Standards Board	<b>REPUBLIC</b>	Republic of South Africa
<b>BBBEE</b>	Broad Based Black Economic Empowerment	<b>RIA</b>	Regulatory Impact Assessment
<b>CCMA</b>	Commission for Conciliation Mediation and Arbitration	<b>RM3</b>	Railway Management Maturity Model
<b>CEO</b>	Chief Executive Officer	<b>RSR</b>	Railway Safety Regulator
<b>CFO</b>	Chief Financial Officer	<b>RRASA</b>	Railway Regulators Association of Southern Africa
<b>COO</b>	Chief Operations Officer	<b>SADC</b>	Southern African Development Community
<b>CSM CA</b>	Common Safety Method Conformity Assessment	<b>SALGA</b>	South African Local Government Association
<b>CSM RA</b>	Common Safety Method Risk Assessment	<b>SANS</b>	South African National Standards
<b>DoT</b>	Department of Transport	<b>SARA</b>	Southern Africa Railways Association
<b>ERM</b>	Enterprise-Wide Risk Management	<b>SATAWU</b>	South African Transport and Allied Workers
<b>FY</b>	Financial Year	<b>SCM</b>	Supply Chain Management
<b>GRAP</b>	Generally Recognised Accounting Practice	<b>SMME</b>	Small Medium and Micro Enterprises
<b>HFM</b>	Human Factor Management	<b>SMS</b>	Safety Management System
<b>IAA</b>	Internal Audit Activity	<b>SMSR</b>	Safety Management System Report
<b>ICT</b>	Information Communication Technology	<b>SOP</b>	Standard Operating Procedure
<b>IIMS</b>	Integrated Information Management System	<b>TETA</b>	Transport, Education and Training Authority
<b>KPI</b>	Key Performance Indicator	<b>TFR</b>	Transnet Freight Rail
<b>MoU</b>	Memorandum of Understanding	<b>TR</b>	Treasury Regulations
<b>MTEF</b>	Medium Term Expenditure Framework	<b>UNTU</b>	United National Transport Union
<b>MTSF</b>	Medium Term Strategic Framework	<b>VSCC</b>	Verbal Safety Critical Communication
<b>NATMAP</b>	National Transport Master Plan 2050		
<b>NDP</b>	National Development Plan 2030		
<b>NIMS</b>	National Information Monitoring System		



## Chairperson's foreword

**T**he 2020/21 Financial Year was like no other. While the world was affected by the devastating fallout of the COVID-19 pandemic, government entities had to adjust their plans midway through the financial year to be more responsive to a new normal that encompassed restrictions linked to the lockdown. Nevertheless, despite these challenges, I am honoured to present this Annual Report on the back of a sterling performance from the Regulator that achieved 100 per cent of its planned annual performance targets and a clean audit.

The RSR sustained the contribution towards the Department of Transport's goal to ensure efficient and effective rail transport and the direction of government's key priorities in line with the Medium-Term Strategic Framework (MTSF) that unambiguously articulates the agenda of building a stronger economy for South Africa.

This framework incorporates transforming the economy to serve all South Africans and create jobs. The Regulator's key provision in this regard saw support to B-BBEE compliant suppliers among other efforts. In line with priority six of the MTSF which deals with building a better Africa and better world, the Regulator was appointed as the Secretariat for the Regional Rail Regulatory Association of Southern Africa and in this fashion cemented our relationship with fellow regulators in Southern Africa.

Strides were made from a compliance

management perspective with relevant policies being finalised to create an effective compliance culture within the RSR. In the year ahead, the RSR will focus on enhancing the rail regulatory framework through determinations, protocols and industry tools which will contribute to the development of an industry safety risk profile that will support critical risk mitigation decisions and ultimately result in safer railway operations.

It is with immense pride that I announce that no irregular expenditure was identified during the year under review. All irregular expenditure reported at the end of March 2020 has been condoned, with some having been recovered. With respect to audit, all findings related to the identified supply chain management non-compliances emanating from the 2019/20 financial year have been addressed, gearing the organisation to deliver a clean audit for the year 2020/21. This achievement is hard-won and is a testament of the collective efforts of the management and staff of the RSR.

I would like to thank the Minister of Transport, Mr Fikile Mbalula, for his unwavering support, my fellow Board Members for their dedication and the RSR team for their hard work even under difficult circumstances.



Mr Boy Johannes Nobunga  
**CHAIRPERSON: RSR BOARD**





## Chief Executive Officer's overview

It goes without saying that 2020 was a tumultuous year which saw COVID-19 destabilise the economy and people's lives. According to reports by Statistics South Africa, the South African economy shed 2.2 million jobs in the second quarter of 2020, which means that many people were left destitute and ill-equipped to deal with the impact of the lockdown. The RSR views job creation as a business and societal imperative in transforming the economy. The Regulator does this by utilising its procurement spend to target designated groups such as women, the youth, and small enterprises.

A total of 93 per cent of the RSR's total procurement spend was spent on B-BBEE compliant suppliers, 18 per cent was spent on women-owned companies, 8.71 per cent on youth-owned companies, and out of the total 242 companies used, 166 were EMEs; 37 were QSEs and 39 were large companies.

The late President Nelson Mandela once contended that education is the great engine of personal development. It is through education that the daughter of a labourer can become a doctor, that the son of a mine worker can become the head of the mine, that a child of farm workers can become the president of a great nation. It is what we make out of what we have, not what we are given, that separates one person from another. The RSR has taken this quote to heart by investing in the capabilities of its employees through an education and skills revolution. Furthermore, 12 university students were awarded bursaries

to the value of R1.2 million covering tuition, accommodation, and incidental expenses. The RSR also invested in the growth and development of its staff by awarding bursaries to the value of R532 000 to staff members who are furthering their studies.

In line with the countless strides the Regulator is making, the organisation has started the groundwork to reinvent and establish itself as the authority in rail safety. This bold step is supported by the revision of the RSR's Corporate Identity (CI). Work is underway to execute the changeover with the launch of the new CI planned for quarter two of the new financial year. I am excited to announce that the RSR's new brand identity adorns this 2020/21 Annual Report. Our new look is modern and memorable, and I trust that it will instil the confidence of a trusted railway regulator.

Throughout the turbulence of the past financial year, the Regulator has always firmly believed in its vision of safe, reliable, and sustainable railway operations recognised globally. The organisation focussed on excellence through advancing nation building, social cohesion, and a safe South Africa for all. As a member of the Southern African Railways Association (SARA), the Regulator will continue to promote the harmonisation of the railway safety regime in the Southern African Development Community (SADC) railway operations to contribute towards building a better Africa and world.

I am proud to share that the organisation has



exceeded all expectations by achieving an astounding 100 per cent of its performance targets and a clean audit at the end of the 2020/21 FY. It would be remiss of me not to mention that this is the first clean audit in the history of the RSR. These excellent results are a testament to the RSR's commitment to promote and ensure safe railway operations and good governance.

None of the achievements and accolades would have been possible without the guidance and support of the Minister of Transport, the National Department of Transport and the RSR Board of Directors. Allow me also to extend my appreciation to the management and staff of the RSR. Your steadfast commitment to the organisation is the force that drives the success of the RSR.



Ms Tshepo Kgare

**ACTING CHIEF EXECUTIVE  
OFFICER**



# Statement of responsibility and confirmation of accuracy for the Annual Report

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

All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor General.

The Annual Report is complete, accurate and is free from any material errors and omissions.

The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by the National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) applicable to the public entities.

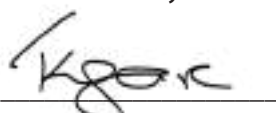
The accounting authority is responsible for the preparation of the Annual Financial Statements and the judgements made.

The accounting authority is responsible for establishing and implementing a system of internal control by providing reasonable assurance as to the integrity and reliability of the performance information, human resources information and the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the Annual Report fairly reflects the operations, performance information, human resources information and the financial affairs of the public entity for the financial year ended 31 March 2021.

Yours faithfully



**Ms Tshepo Kgare**  
**ACTING CHIEF EXECUTIVE OFFICER**  
**Date**



**Mr Boy Johannes Nobunga**  
**CHAIRPERSON: RSR BOARD**  
**Date**



# Strategic overview

## Vision

Safe, reliable, and sustainable railway operations recognised globally.

## Mission

To oversee and promote safe railway operations through appropriate support, monitoring and enforcement, guided by an enabling regulatory framework.

## Values



### Integrity

We instil confidence in our internal and external stakeholders through quality, professional and efficient service delivery.



### Transparency

We communicate information openly.



### Fairness

We are consistent in applying policies and procedures and are impartial in how we treat all our employees.



### Innovation

We create a conducive environment that allows for the sharing and implementation of new ideas in line with the goals of the RSR.



### Timely and accountable delivery

We make prompt decisions and take appropriate action informed by organisational priorities.



### Mutual respect

We engage with and treat each other, our customers, as well as our work, with dignity and respect.



### Excellence

We strive to excel in every aspect of our business and approach every challenge with a determination to succeed.

# Legislative and other mandates

## Constitutional mandate

The Constitution identifies the legislative responsibilities of different levels of government regarding airports, roads, traffic management and public transport. Transport is a function that is legislated and executed at all levels of government. The implementation of transport functions at the national level takes place through public entities, which are overseen by the Department of Transport.

The RSR is responsible for ensuring compliance with chapter 2 and 3 of the Constitution of the Republic of South Africa.

The RSR observes and adheres to the principles of cooperative government and intergovernmental relations which is supported by its work on the rail reserve regulations and harmonisation of the SADC railways through common safety methods.

Promotion of the rights of people in South Africa affirms the democratic values of human dignity, equality, and freedom. The achievement of safer railways reinforces the values contained in the Bill of Rights.

## Legislative and policy mandates

Our railway safety functions are driven by legislation. We are accountable to Parliament and the public to:

- Provide for and promote safe railway operations;
- Encourage the collaboration and participation of interested and affected parties in improving railway safety;
- Recognise the prime responsibility and accountability of operators in ensuring the safety of railway operations;
- Facilitate a modern, flexible, and efficient regulatory regime that ensures the continuing enhancement of safe railway operations; and
- Promote the harmonisation of the railway safety regime of the Republic with the objectives and requirements of SADC for the operation of railways.

### Legislative mandate

The RSR was established in terms of the National Railway Safety Regulator Act No. 16 of 2002, as amended, to establish a national regulatory framework for South Africa and to monitor and enforce compliance in the rail sector. The primary legislative mandate of the RSR is to oversee and enforce safety performance by all railway operators in South Africa, including those of neighbouring states whose rail operations enter South Africa. In terms of the Act, all operators are primarily responsible and accountable for ensuring the safety of their railway operations.



## Other legislative mandates

The RSR is a statutory organisation and primarily derives its mandate from its constitutive legislation, the National Railway Safety Regulator Act No. 16 of 2002, as amended. Also, the RSR must comply with legislative prescripts that have an impact on the RSR's business/operations, including but not limited to the:

- Occupational Health and Safety Act, no. 85 of 1993, as amended;
- Legal Succession to the South African Transport Services Act, Act no. 9 of 1989, as amended;
- Public Finance Management Act, Act no. 1 of 1999, as amended;
- National Environmental Management Act, Act no. 107 of 1998, as amended;
- National Disaster Management Act, Act no. 57 of 2002;
- Promotion of Access to Information Act, Act no. 2 of 2000;
- Various labour legislation, including the Labour Relations Act, Act no. 66 of 1995, Basic Conditions of Employment Act, Act no. 75 of 1997, Skills Development Act, Act no. 97 of 1998, Employment Equity Act, Act no. 55 of 1998;
- Protected Disclosures Act, Act no. 26 of 2000;
- Promotion of Administrative Justice Act, Act no. 3 of 2000, as amended;
- Prevention and Combatting of Corrupt Activities Act, Act no 12 of 2004, as amended; and
- Protection of Personal Information Act 4 of 2013.

## Policy mandate

The RSR as a state entity is also governed and directed by various policies developed and approved by the South African government at varying spheres. The following are some of the policy mandates that guide the work of the RSR:

- The National Development Plan 2030 (NDP);
- The National Transport Master Plan 2050 (NATMAP);
- Revised White Paper on National Transport Policy;
- The New Growth Path Framework; and
- Various national and international policies within the railway sector.

## Alignment to the Medium-Term Strategic Framework

The Medium-Term Strategic Framework (MTSF) is the government's high-level strategic document to guide the five-year implementation and monitoring of the NDP 2030. The MTSF flows from the 2019 electoral mandate of the governing party and identifies the priorities to be undertaken during the 2020 – 2025 financial years to put the country on a positive trajectory towards the achievement of the 2030 vision. It sets targets for implementation of the priorities and interventions for the five-year period and states the outcomes and indicators to be monitored.

### *The National Development Plan 2030*

The National Development Plan (NDP) is a plan for the country to eliminate poverty and reduce

inequality by 2030 through uniting South Africans, unleashing the energies of its citizens, growing an inclusive economy, building capabilities, enhancing the capability of the state and leaders working together to solve complex problems.

#### ***The National Transport Master Plan 2050 (NATMAP)***

NATMAP is a comprehensive, multimodal, integrated, and dynamic plan, and provides a sustainable framework not only for implementing transport but also for providing infrastructure and service. Most importantly, the plan seeks to develop continuously and improve the efficiency and effectiveness of a multimodal transport system – a transport system that is well regulated and well managed within a multisectoral sphere of effective coordination within and cooperation between various government spheres, relevant private sectors, civil society partners and stakeholders up to 2050.

#### ***Revised White Paper on National Transport Policy***

The Revised White Paper on National Transport Policy (RWPNTP) is an overarching policy document which informs the policy direction and objective

of the Department of Transport with regards to the development of the transport sector in line with our National Development Frameworks, The New Growth Path and National Development Plan 2030. The policy further informs the intervention of government in providing safe, reliable, accessible, efficient, and fully integrated transport operations and infrastructure to best meet the needs of freight and passenger customers. Pursuant to the objectives of the 1996 White Paper, which aimed largely to support the Reconstruction and Development Programme, the RWPNTP aims to position transport as a means of improving South Africa's competitiveness and that of its transport infrastructure and operations both locally and internationally.

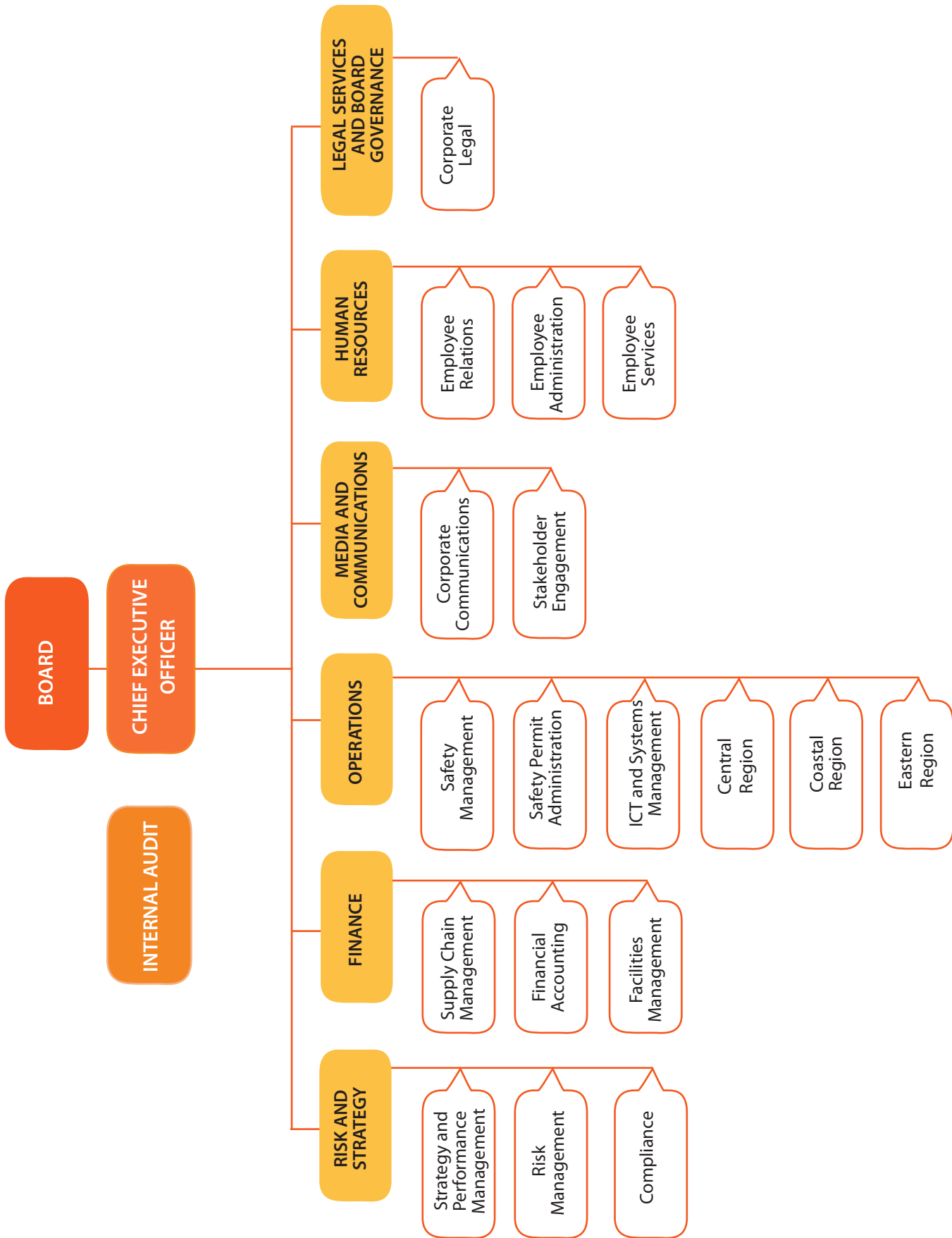
#### ***The New Growth Path Framework***

This framework reflects government's commitment to prioritise employment creation in all economic policies. It identifies strategies that will enable South Africa to grow in a more equitable and inclusive manner while attaining South Africa's developmental agenda.





# Organisational structure



# Board of directors



**Ms Yongama Pamla**  
**Deputy Chairperson**



**Mr Boy Johannes Nobunga**  
**Board Chairperson**



**Ms Tshepo Kgare**  
**Acting Chief Executive Officer**



**Mr Sisa Lunga Mtna**



**Ms Nompumelelo Ekeke**



**Adv Frans Johannes  
van der Westhuizen**



**Ms Dineo Mathibedi**



**Mr Christiaan Johan de Vos**



**Ms Nokuzola Gloria Khumalo**



**Adv Johannes Collen  
Weapond**



**Ms Salome Chiloane-Nwabueze**



**Vacant**  
**Company Secretary**



# Executive committee



**Ms Tshepo Kgare**  
**Acting Chief Executive Officer**



**Mr Mmuso Selaledi**  
**Acting Chief Operational Officer**



**Ms Madelein Williams**  
**Executive: Media and Communications**



**Albert Tjatji**  
**Acting Chief Financial Officer**



**Mr Khayaletu Madlwabinga**  
**Executive: Human Resources**



**Mr Molefi Freddie Kgomari**  
**Acting Executive: Risk and Strategy**



**Ms Malerato Kekana**  
**Chief Audit Executive**



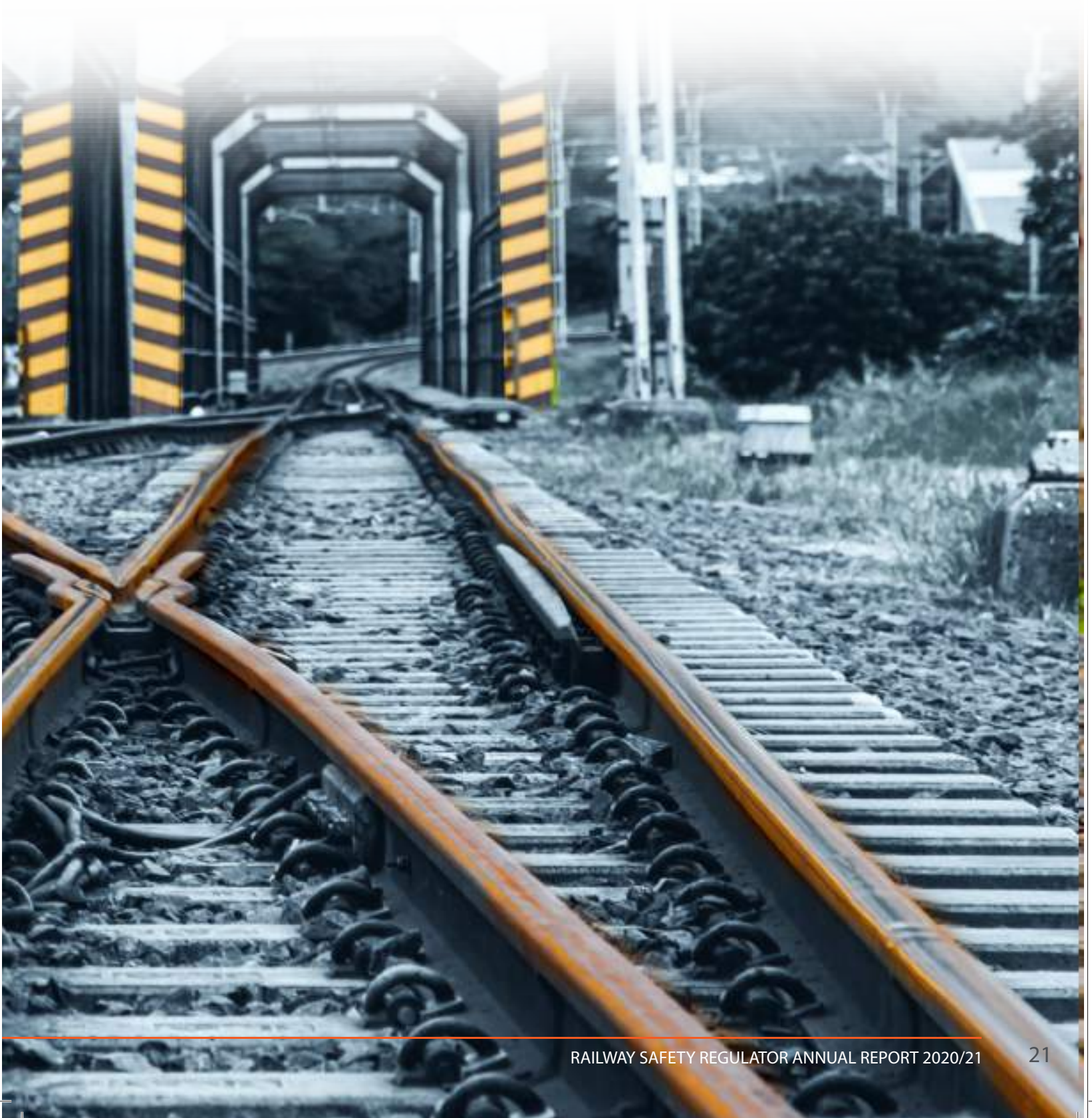
**Vacant**  
**Executive: Legal Services and Board Governance**





# Part B:

## Performance information





# Auditor's Report:

## Predetermined objectives

The Auditor General of South Africa (AGSA) performs the necessary audit procedures on the performance information to provide reasonable assurance by means of an audit conclusion. The audit conclusion is included in a report to management and contains material findings, if identified, under the Predetermined Objectives heading in other legal and regulatory requirements section of the Auditor's Report.

Refer to page 98 to 101 of the Auditors Report, published as Part E: Financial Information.

## Situational analysis

### Service Delivery Environment

#### RSR's contribution to the government's priorities

Over and above the policies stated, the RSR is expected to contribute to government's seven key priorities highlighted by President Cyril Ramaphosa in his 2019 State of the Nation Address. The priorities are based on the government's MTSF and articulates

the fulfillment of the 2030 vision aimed at reducing inequality and eliminating poverty. Each tier of government, as well as public entities, are required to base their planning for the MTSF on these priorities and outcomes. The RSR's contribution can be described as follows:

#### Priority 1: Transforming the economy to serve all South Africans and create jobs

**RSR's contribution:** The RSR aims to play its part in transforming the economy by utilising its procurement spend to target designated groups such as women, youth, and small enterprises.

**Progress:** The RSR spent a total amount of R35.7 million of which 93 per cent which equates to R33.4 million was spent on B-BBEE compliant suppliers, 18 per cent which equates to R6.3 million was spent on women-owned companies, while 8.71 per cent of which equates to R2.9 million was spent on youth-owned companies. Out of the total 242 companies utilised, 166 (69%) were EMEs, 37 (15%) were QSEs and the remaining 39 (16%) were large companies.

**Priority 2: Investing in the capabilities of all the people, through an education and skills revolution**

**RSR's contribution:** The RSR has set aside a budget for external bursaries for critical skills required in the rail sector. The RSR will employ interns to provide them with work experience and to increase their future employability in the job market.

**Progress:** A total of 12 students were awarded bursaries to the value of R1.2 million covering tuition, accommodation, and incidental expenses. Further to this, the organisation is aligned to the national agenda of development and training for those graduates that have not received an opportunity to acquire the relevant training and capacity in their respective fields of study. Thus, the RSR appointed 10 interns for a period of one year as from 1 March 2021. The RSR also entered into a secondment agreement with the African Rail Industry Association (ARIA) to regulate the terms and conditions of the secondment of two interns to the Regulator. These interns require practical work experience and the application of academic learning which the RSR is able to provide.

**Priority 3: Advancing social transformation through the strengthening of the social wage**

**RSR's contribution:** No direct contribution.

**Priority 4: Tackle the persistence of apartheid spatial development to build sustainable and safe human settlements, towns and rural areas, and effective local government.**

**RSR's contribution:** The RSR constantly engages with the South African Local Government Association (SALGA) as a nodal point to municipalities. The Regulator contributes to this priority through four initiatives, namely, Rail Reserve Regulation, education and awareness campaigns, safety ambassadors and community involvement.

**Progress:** The RSR conducted several meetings with SALGA during the period under review. Key matters undertaken included the collaboration of the RSR, PRASA and Transnet to address issues of mutual interest, particularly on rail compliance by municipalities. SALGA advised that these matters can be referred to the cluster meetings where all Municipal Managers are in attendance. SALGA further encouraged the Regulator to raise the concern of encroachment next to rail reserves with the Members of Mayoral Committees (MMC). In addition, SALGA displayed a keen interest to work in unison with the RSR to improve the overall safety of the railways to ensure that rail transportation becomes more reliable and safer. The MOU with SALGA will be renewed and include all areas that require attention.





**Priority 5: Advance nation-building and social cohesion, and a safe South Africa for all**

**RSR's contribution:** The RSR is strengthening the rail regulatory framework through determinations, protocols and industry tools aimed at building an industry safety risk profile to support critical risk mitigation decisions that will result in safer railway operations. These interventions include:

- Occurrence reporting categories published;
- Industry-wide hazard log;
- Railway Management Maturity Model;
- Verbal Safety Communication Determination developed;
- Interface Agreements Framework; and
- National Rail Communicators Forum

**Progress:** During the 2020/21 FY, of the interventions listed above, the RSR successfully developed the:

- **Industry-wide hazard log** which is a structured tool that is used to capture and reference safety risk evaluations and other information that relate to a railway system. The log is coordinated and controlled while maintaining an auditable record of information. It is the principal means of tracking the status of all identified hazards, decisions made, and actions undertaken to reduce risks.
- The RSR further conducted **RM3 assessments** on PRASA and Bombela Operating Company (BOC). The assessments were aimed at carrying out an evaluation to gain a good understanding of the operators to establish if their SMS can deliver excellence in risk control, across all activities.
- **Interface Agreement** sessions were held with Transnet and PRASA. The operators are required to enter into Interface Agreements with those operators with whom they interface, in accordance with the Regulator's regulatory tools. The South African National Standards (SANS) 3000 and the Determination on the Safety Management System





and Safety Management System Report provides a common approach to the management of the interfaces between operators; between operators and other relevant parties affecting the safety of the railway operations, including the intra-faces within an operator's activities. These are crucial for ensuring interoperability, safety and integrity of railway operations, systems, subsystems and components.

- **Research** was conducted on level crossings as well as on personal safety on trains. The topics were chosen because of the increasing occurrences in the two categories. The research reports bolstered the rail sector's need to improve its knowledge management to devise suitable responses to the ever increasing number and severity of accidents by identifying and analysing mitigating measures that should be taken.

#### **Priority 6: Build a better Africa and world**

**RSR's contribution:** The RSR is a member of the SARA, an association that aims to promote the harmonisation of

the railway safety regime in the SADC railway operations. The Regulator plays a pivotal role in ensuring that the common standards are adopted at a regional level, thus ensuring interoperability among member states.

**Progress:** The RSR continued to participate in the railway safety activities with the SADC region. To this extent, the RSR participated in the SARA Infrastructure Task Team and Workgroup Sessions which were attended by some of the Regional Railway Regulators Association of Southern Africa (RRASA) Working Group members and the representatives from the SADC railway operators. These sessions focussed on the following matters:

- Reviewing the design specifications for the SARA track, civil and electrical infrastructure to establish the benchmark.
- Evaluating the technical innovations/developments and international best practices in the maintenance and rehabilitation of track, civil and electrical infrastructure relative to the practice in SADC as per SADC SARA HT 91.
- Spearheading the establishment of the RRASA. The

RSR further participates in the SARA and RRASA executive committees and while participating in these forums, the RSR was nominated as the secretariat for the establishment of RRASA. The secretariate's role entails the facilitation of engagements for the RRASA Working Group Forum and ensuring that the applicable Terms of Reference are developed, approved, and implemented. The establishment of the National Independent Regulatory Bodies has been prioritised by the SADC member states.

### **Priority 7: Renewing and building a capable, honest developmental state and a social compact**

**RSR's contribution:** The RSR contributes to the building of a capable state by executing its mandate in an independent, financially sustainable manner while maintaining the highest standards of good and ethical corporate governance.

**Progress:** The Regulator's MTEF Budget projects that the year-on-year expenditure growth will exceed estimated revenue growth by 1 per cent per annum. It is envisaged that the projected deficit for the 2023/24 FY will have a material impact on RSR operations and hinder its ability to deliver on its mandate. It is on this basis that a Financial Sustainability Plan was developed and approved by the RSR Board. The plan makes certain baseline assumptions and carefully crafts targets over the next five years that will enable the RSR to become more financially sustainable. The objectives of the RSR Financial Sustainability Plan are to:

- Stabilise and contain the yearly increase in operational expenditure;
- Ensure that all the posts on the organisational structure are funded;
- Identify new sources of revenue;
- Ensure that significant capital projects are fully funded; and
- Ensure that safety permit fees grow annually in line with inflation.

## **Organisational environment**

As a result of the State of Disaster declared by President Cyril Ramaphosa on 15 March 2020 because of the COVID-19 pandemic, the RSR adopted a remote working arrangement in the 2020/21 FY. Notwithstanding the new way of working, the organisation successfully achieved a 100 per cent overall performance score at the end of the 2020/21 FY.

In line with international best practices regarding railway safety management, the RSR must guide the railway industry towards excellence in the management of safety to reduce operational risks in the railway environment to as low as reasonably practical. The strategic aspirations of the RSR to achieve the reduction of risk are documented in the RSR Strategic Plan, which sets out the specific strategic objectives to be achieved during this period.

While the RSR's responsibilities are designed to protect the interests of rail users, the Regulator strives to be transparent in its work. Data and evidence must drive decisions; clear processes and governance must guide the delivery of the work. The RSR, as an enforcing authority for safety legislation on South Africa's railways, plays an advisory and training role to other regulators and operators in the SADC region on various safety regulatory tools and techniques. The following functions were undertaken to ensure the successful execution of the RSR's mandate:

- **Issues and manages safety permits:** The SMS and concomitant safety permit provide the legal interface between the RSR and railway operators. This relationship enables and promotes continuous improvement in safe railway operations. Annually, the RSR evaluates the Safety Improvement Plans and the SMSR submitted by operators, which outline directives and/or interventions to improve safety in the operational environment.

- Conducts inspections and audits:** The RSR is mandated to provide safety oversight across the railway industry. This role is undertaken through various strategic initiatives such as conducting safety-related audits and inspections of operators' activities. The key objectives of safety audits and inspections are to critically assess the safety management systems and processes of operators. These assessments provide in-depth knowledge and understanding of required interventions to promote the attainment of safe rail operations.
- Conducts safety assessments:** The RSR fulfils its safety oversight mandate on new railway works and technology developments by conducting safety assessments on the SMSR submitted by the operators. Furthermore, the RSR provide approvals on all lifecycle phases of railway projects to ensure that safety is not compromised in the revitalisation of the local rail industry. These regulatory safety assessments ensure that the impact of the intended changes is considered within the immediate environment of its application and from a systemic perspective encompassing the asset/system life cycle.
- Investigates railway occurrences:** To achieve safety improvement and a reduction of occurrences, the RSR conducts investigations of occurrences that have led to major loss including fatalities, injuries, and damage to property to identify the root cause and to prevent recurrences. Operators are obligated to report all occurrences to the RSR to ensure that analysis and review of incidences and the causes thereof are consolidated to assist the Regulator in providing tools and strategic direction in addressing safe rail operations.
- Develops regulations, safety standards and regulatory prescripts:** In line with sections 29, 30 and 50 of the Act, the RSR is mandated to develop regulations, safety standards and related regulatory prescripts which form an integral part of the regulatory regime adopted for the oversight and enforcement of safe railway operations.
- Issues notices of non-conformance and non-compliance:** The RSR issues operators with such notices to indicate conditions within the operators' system that are deemed to be sub-standard or not in compliance with regulatory prescripts that ensure safe rail operations in terms of the adopted regulatory regime and continues to impose penalties for non-compliance with the Act and safety standards adopted by the Board of Directors of the RSR.
- Supports and promotes occupational health and safety and security:** To address OHS and security issues that impact on railway safety, OHS legal requirements are included in the Human Factors Management (HFM) Standard and the RSR conducts audits, inspections, and investigations in line with provision of this standard. Occupational health and safety legal requirements are included in the HFM Standard and are, therefore, continuously promoted during technical workshops conducted by the RSR.
- Co-operates with relevant organs of state to improve safety performance and oversight functions:** In compliance with the Act, the RSR must conclude appropriate cooperative agreements with relevant state organs to give effect to cooperative government and inter-governmental relations as contemplated in Chapter 3 of the Constitution. To this end, the RSR has concluded 12 cooperative agreements, nine with various government departments and three with industry associations. The Memoranda of Understanding (MoU) with government departments aim to eradicate duplication where there is dual jurisdiction and promote collaboration. The agreements with industry associations aim to share best



practices and maintain an interactive approach in enforcing compliance. The 12 agreements focus on different issues, while the common denominator is ensuring safer railways.

- **Plays a leading role in the alignment of the railway safety regime of South Africa with those of the Southern African Development Community:** The RSR plays a significant role in harmonising the rail safety regime within the SADC. The RSR, through SARA, conducts workshops on its South African standards, with the vision of adapting the standards at SADC level once approved by the SARA Board.
- **Conducts research:** The RSR promotes and facilitates research in areas related to its strategic goals.
- **Data management and analysis:** In support of sections 37 and 39 of the Act which requires that all occurrences be reported to the RSR and in turn, requires the RSR to establish the National Management Monitoring System (NIMS). In relation to risk identification and management as well as strategic and operational planning, the RSR must maintain an accurate data management system. The data must be reliable and analysed for risks regularly. This enables the RSR to accurately identify major safety-relevant risks that will require actions such as inspections, audits, investigations, and awareness campaigns to increase the level of operational safety within the South African rail environment. The Annual State of Safety Report, which is tabled in Parliament, remains the highlight of the data management and analysis function and provides insight into the current state of rail safety, areas of concern as well as the RSR's actions and activities towards addressing challenges and root causes of occurrences. To achieve its objectives in terms of the Act, the RSR may conduct several other activities relating to safe railway operations. This provision allows the RSR to go beyond that which is expressly contained in the Act to achieve its objectives.

## Key policy developments and legislative changes

No changes in relevant policies or legislation that may have an impact on operations occurred during the period under review.

## Progress towards achievement of institutional impacts and outcomes

The RSR is an agency of the Department of Transport that regulates and oversees railway safety, conducts audits and inspections, and investigates accidents and incidents related to railways to ensure safe railway operations in South Africa and neighbouring countries.

## Institutional Programme Performance Information

The RSR set the following targets to be achieved over the MTSF 2020-2025.

<b>MTSF priority</b>	Establish effective, safe and affordable public transport		
<b>NDP five year implementation plan and intervention</b>	New spatial norms and standards – densifying cities, improving transport, locating jobs where people live, upgrading informal settlements and fixing housing market gaps		
<b>Measure of success</b>	Industry risk profile		
<b>Outcome</b>	<b>Outcome indicator</b>	<b>Baseline</b>	<b>5-Year target</b>
Railways are safer	<p>The following indicators will be utilised to mitigate risks of occurrences by establishing a collaborative risk-based regulatory approach to oversee, monitor and enforce railway safety:</p> <ul style="list-style-type: none"> <li>• State of Safety Report</li> <li>• Audit and inspection reports</li> <li>• Regulatory instruments issued</li> </ul>	Safety risk model scope developed	Safety risk model deployed

<b>MTSF priority</b>	Realise a developmental, capable and ethical state that treats citizens with dignity		
<b>NDP five year implementation plan and intervention</b>	New spatial norms and standards – densifying cities, improving transport, locating jobs where people live, upgrading informal settlements and fixing housing market gaps		
<b>Measure of success</b>	Clean audit		
<b>Outcome</b>	<b>Outcome indicator</b>	<b>Baseline</b>	<b>5-Year target</b>
Good governance and clean administration	<p>We strive for excellence by enriching our governance processes, ensuring compliance with laws and regulations. This will be achieved through developing an excellent organisation that is financially sustainable, by means of these indicators:</p> <ul style="list-style-type: none"> <li>• Effective internal audit mechanisms</li> <li>• Effective risk management practices</li> <li>• Monitoring and reporting practices</li> </ul>	Unqualified audit opinion	Clean audit

<b>MTSF priority</b>	Establish effective, safe and affordable public transport		
<b>NDP five year implementation plan and intervention</b>	New spatial norms and standards – densifying cities, improving transport, locating jobs where people live, upgrading informal settlements and fixing housing market gaps		
<b>Measure of success</b>	Improved stakeholder satisfaction		
<b>Outcome</b>	<b>Outcome indicator</b>	<b>Baseline</b>	<b>5-Year target</b>
Improved stakeholder service	Targeted campaigns, awareness, promotion initiatives and collaboration between stakeholders.	22 safety promotion initiatives conducted	180 safety promotion initiatives conducted





## Outcomes, outputs, output indicators, targets and actual achievements table: Amended targets

No	Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reasons for deviations
2.5	Good governance and clean administration	ISO (QMS) related policies ISO (QMS) Audit Reports	ISO (QMS) audit results	-	-	QMS Policy developed	QMS Policy approved	Amended Annual Target to QMS Policy Approved	Target wording not aligned to the approved Strategic Plan Annual target was amended to align Strategic Plan and APP
3.1	Improved Stakeholder Service	To influence safe railway behaviour	Number of safety awareness initiatives conducted	21 Railway safety promotion initiatives conducted by 31 March 2019	23 Railway safety promotion initiatives conducted by 31 March 2020	28 Railway safety awareness initiatives conducted	22 Railway safety awareness initiatives conducted Two additional campaigns were conducted upon requests from stakeholders	The annual target was amended to conduct 20 railway safety awareness initiatives	National State of Disaster due to COVID-19 pandemic Restriction on gatherings and social distancing
3.2	Improved Stakeholder Service	To promote safety consideration during new investments through annual industry safety thematic interventions	Annual industry safety interventions conducted	Annual industry safety thematic intervention conducted by 31 March 2019	Annual Railway Safety Conference conducted by 31 March 2020	Annual Rail Safety conference conducted	None	Removed from APP	National State of Disaster due to COVID-19 pandemic Restriction on gatherings and social distancing restrictions

## Outcomes, outputs, output indicators, targets and actual achievements table: Re-tabled APP

No	Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reasons for deviations
1.1	Railways are safer	Industry safety risk profiling towards increased critical risk mitigation decisions	Industry safety risk profile developed	Safety risk framework developed through industry working committees by 31 March 2019	Safety risk model scope developed by 31 March 2020	Industry-wide hazard log developed	Industry-wide hazard log developed	None	None
1.2	Railways are safer	Industry-consulted risk assessment tools and methodologies	Common Safety Methods developed and tested	Framework for Common Safety Method for Risk Assessments developed by 31 March 2019	CSM-RA tested with 3 Class A Operators by 31 March 2020	CSM RA tested with 3 Class A and 3 Class B operators	CSM RA tested with 3 Class A and 3 Class B operators	None	None
1.3	Railways are safer	Industry-consulted risk assessment tools and methodologies	Common Safety Methods developed and tested	-	-	Common Safety Method for Supervision framework developed	Common Safety Method for Supervision framework developed	None	None
1.4	Railways are safer	Industry-consulted risk assessment tools and methodologies	Implementation of railway management maturity assessments	Railway Management Maturity assessment tool adopted by 31 March 2019	Railway Management Maturity Assessment Report for Transnet by RSR by 31 March 2020	Railway Management Maturity Assessment Report for PRASA and BOC	Railway Management Maturity Assessment Report for PRASA and BOC	None	None

No	Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reasons for deviations
1.5	Railways are safer	Industry consulted risk assessment tools and methodologies	Interface Agreements aligned with operational risks	Interface agreement framework developed by 31 March 2019	Interface agreement audit report by 31 March 2020	Interface Agreements stakeholder engagement on IA gaps with Transnet and PRASA	Interface Agreements stakeholder engagement on IA gaps with Transnet and PRASA	None	None
1.6	Railways are safer	Industry consulted risk assessment tools and methodologies	State of safety interventions	-	-	Level crossing research paper published Personal safety on trains and stations research paper published	Level crossing research paper published Personal safety on trains and stations research paper published	None	None





No	Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reasons for deviations
2.1	Good governance and clean administration	To secure an adequate operational financial base	Progress made in revising the permit fee model developed in 2014/15	Revised permit fee model validated and finalised by 31 March 2019	Annual permit fee model submitted to DoT by 31 March 2020	Board approved financial Sustainability plan	Board approved financial Sustainability plan	None	None
2.2	Good governance and clean administration	To monitor and track the effectiveness of RSR compliance initiatives	New NIIMS build	IMS scope completed by 31 March 2019	Business requirements for the NIIMS developed by 31 March 2020	50 % of NIIMS developed	57 % of NIIMS developed	None	None
2.3	Good governance and clean administration	Culture assessment results	Employee engagement improved	-	-	Framework for assessing culture of excellence developed and baseline employee satisfaction survey conducted	Framework for assessing culture of excellence developed and baseline employee satisfaction survey conducted	None	None
2.4	Good governance and clean administration	Surplus funds	Growing investment	-	-	Current ratio of 1:1	Current ratio of 1,32:1	None	None
2.5	Good governance and clean administration	ISO (QMS) related policies ISO (QMS) Audit Reports	ISO certification	-	-	QMS Policy approved	QMS Policy approved	None	None
2.6	Good governance and clean administration	Clean administration	Number of material audit findings	-	Unqualified audit with less findings by 31 March 2020	Unqualified audit outcome with other matters	Unqualified audit outcome with no matters	None	None

No	Outcome	Output	Output indicator	Audited actual performance 2018/19	Audited actual performance 2019/20	Planned annual target 2020/21	Actual achievement 2020/21	Deviation from planned target to actual achievement 2020/21	Reasons for deviations
3.1	Improved stakeholder service	To influence safe railway behaviour	Number of safety awareness initiatives conducted	21 Railway safety promotion initiatives conducted by 31 March 2019	23 Railway safety promotion initiatives conducted by 31 March 2020	20 Railway safety awareness initiatives conducted	22 Railway safety awareness initiatives conducted	Two additional Railway safety awareness initiatives conducted	Two additional campaigns were conducted upon requests from stakeholders
3.2	Improved stakeholder service	Regular engagement with organised labour and interested parties to encourage collaboration towards improved railway safety of employees, commuters and the public	Stakeholder forums implemented	3 Industry organised labour forum discussions conducted by 31 March 2019	4 Industry-organised labour forum discussions conducted by 31 March 2020	Eight stakeholder forum discussions conducted	Eight stakeholder forum discussions conducted	None	None



## RSR's response to COVID-19

### Progress on institutional response to the COVID-19 pandemic

The RSR did not contribute to the government funded COVID-19 initiatives.

In March 2020, the RSR adopted a risk-based COVID-19 Response Plan to dealing with the pandemic. This approach was aligned to the South African National government's risk adjusted strategy to resume economic activity in the country. The plans aimed to safeguard the health and safety of employees and to ensure business continuity.

The levels of risk within the RSR COVID-19 Response Plan are based on the positivity rate that prevails at a particular time. The World Health Organisation advisory note issued on 12 May 2020 lists a positivity rate of less than 5 per cent (provided that at least 1/1000 of the population are tested weekly) as one of the appropriate indicators for adjusting by means of loosening or tightening infection prevention measures.

A COVID-19 Standard Operating Procedure (SOP) was developed to provide guidelines to implement COVID-19 measures consistently with the government regulations on COVID-19.

During the year under review, 17 employees tested positive for COVID-19 and all 17 subsequently tested negative and have fully recovered.

The measures implemented by the Regulator to assist workers included:





- Payment of cellular phone and data allowances to aid work from home as a business continuity strategy;
- COVID-19 testing facilities by means of entering an agreement with Lancet Laboratories;
- Contact tracing in the event of a positive COVID-19 test result from an employee while in the office;
- Employees over 55 years of age or with underlying medical conditions to work from home or granted special leave where applicable in line with the RSR COVID-19 response plan;
- Daily medical screening (temperature, symptoms, travel history etc.) of all employees and visitors on entering the RSR premises;
- Intensified office disinfection programme;
- Placement of sanitisers in all common areas;
- Rotation of workforce to ensure that only 50 per cent of staff are in the office at any time;
- Use of access cards instead of biometric system;
- Daily sanitising and disinfecting of RSR vehicles;
- Ongoing monitoring of ventilation systems;
- All employees issued with a PPE Pack (masks, gloves etc.);
- Restrictions on education and awareness events;
- Restrictions on external training and conferences; and
- No RSR hosted conferences or events.

These measures will remain in place until all employees have been vaccinated or when herd immunity has been reached by the country. The levels of the response plan will be implemented based on the positivity rate or where applicable in line with the country's risk adjusted strategy to the management of the COVID-19 pandemic.

### **Virtual audits**

The National Railway Safety Regulator Act No. 16 of 2002, as amended, mandates the RSR to oversee safety of railway transport in the country. Audits are some of the tasks that the RSR conducts to achieve this objective. The objective of the audits is to measure the level of implementation as well as the adequacy and effectiveness of the railway operators' SMS.

Under normal conditions, an audit will require a visit to a railway operator's premises. Due to the COVID-19 pandemic and its restrictions, visiting operator's premises and sidings were not possible. As a result, the RSR conducted virtual audits with railway operators using platforms such as Microsoft Teams and Zoom. With safety as a priority, the virtual audit process assisted with social distancing, providing mitigating measures to address, prevent and combat the spread of COVID-19 in the railway operations.

The virtual audits conducted enabled the RSR to verify whether the operator's SMS complied with the relevant legislation and standards. The virtual audits offered advantages when compared to face-to-face audits in that the audits can be arranged faster, are inexpensive due to savings on the travelling costs, and brings the most relevant people together irrespective of where they are based, therefore, offering better work-life balance.

### **Drone inspections**

At the time that the country went into Level 5 of the National Lockdown, the APP and Operational Plans of the organisation were approved for implementation by 1 April 2020. This necessitated that the organisation adopt new approaches to fulfilling its mandate as well as identifying how

change can bring forth innovation. This innovation, resulted in the organisation still being able to deliver on all targets, including targets that usually require physical visits to operator sites.

During the Level 5 lockdown, infrastructure damage rendered some of the assets unusable. The extent of the damage required inspections to assess the damage caused by the vandalism. The areas hardest hit by the vandalism in the Western and Eastern Cape were the Southern Line and Northern Line and the area from East London to Berlin.

As a result of the restrictions on movement as well as the extensive invasion of the railway reserve by

informal settlements, the Coastal Region opted to source the services of drone technology to conduct inspections. The use of drone technology enabled the Region to collect information from Langa Station up to the end of the Central Line at both Chris Hani and Kapteinsklip stations. The information, in the form of pictures and videos, enabled the region to make recommendations to the operator based on these observations. The Regulator is in the process of acquiring the drone technology to conduct inspections where access is restricted or accessibility is limited.



## Linking performance with budgets

In assessing the achievement of the outputs in comparison with the planned targets, the Regulator must consider the linkages and the relation to the resources available to it, particularly the financial resources. Therefore, the following financial information is presented. The financial information must agree with the information in the Annual Financial Statements.

No	Output indicator	Annual target	2019/20		2020/21		
			Budget	Over/ under expenditure	Budget	Actual expenditure	Over/under expenditure
			R	R	R	R	R
1.1	Industry safety risk profile developed	Industry-wide hazard log developed	1,029,436	736,930	6,139,082	2,707,755	3,431,327
1.2	Common Safety Methods developed and tested	CSM RA tested with 3 Class A and 3 Class B operators	514,718	368,465	6,139,082	2,707,755	3,431,327
1.3	Common Safety Methods developed and tested	Common Safety Method for supervision framework developed	-	-	6,139,082	2,707,755	3,431,327
1.4	Implementation of railway Management Maturity Assessments	Railway Management Maturity Assessment Report for PRASA and BOC	514,718	368,465	6,139,082	2,707,755	3,431,327
1.5	Interface Agreements aligned with operational risks	Interface Agreements stakeholder engagement on IA gaps with Transnet and PRASA	514,718	368,465	6,139,082	2,707,755	3,431,327
1.6	State of safety interventions	Level crossing research paper published Personal safety on trains and stations research paper published	-	-	6,139,082	2,707,755	3,431,327
2.1	Progress made in revising the permit fee model developed in 2014/15	Board approved Financial Sustainability Plan	896,920	353,700	11,647,179	7,787,908	3,859,270
2.2	New NIIMS build	50% of NIIMS developed	12,767,206	6,857,803	11,647,179	7,787,908	3,859,270



No	Output indicator	Annual target	2019/20			2020/21		
			Budget	Actual expenditure	Over/under expenditure	Budget	Actual expenditure	Over/under expenditure
			R	R	R	R	R	R
2.3	Employee engagement improved	Framework for assessing culture of excellence developed and baseline employee satisfaction survey conducted	-	-	-	11,647,179	7,787,908	3,859,270
2.4	Growing investment	Current ratio of 1:1	-	-	-	11,647,179	7,787,908	3,859,270
2.5	ISO certification	QMS Policy approved	-	-	-	11,647,179	7,787,908	3,859,270
2.6	Number of material audit findings	Unqualified audit outcome with other matters	-	-	-	11,647,179	7,787,908	3,859,270
3.1	Number of safety awareness initiatives conducted	20 Railway safety awareness initiatives conducted	2,476,375	1,306,260	1,170,115	5,618,150	3,155,083	2,463,066
3.2	Stakeholder forums implemented	Eight stakeholder forum discussions conducted	2,476,375	1,306,260	1,170,115	5,618,150	3,155,083	2,463,066

## Revenue generation

Sources of revenue	2019/20			2020/21		
	Estimate	Actual amount generated	Over (Under)	Estimate	Actual amount generated	Over (Under)
Permit fees	169 500 000	170 560 765	1 060 765	156 851 698	170 943 602	14 091 904
Investment Income	1 889 888	8 160 496	6 270 608	4 057 735	5 005 329	947 594
Grant Income	63 522 000	63 522 000	-	79 517 000	82 045 000	2 528 000
Penalties	-	770 000	770 000	-	800 000	800 000
Other income	-	821 295	821 295	-	1 051 567	1 051 567
<b>TOTAL</b>	<b>234 911 888</b>	<b>243 834 556</b>	<b>8 922 668</b>	<b>240 426 433</b>	<b>259 845 498</b>	<b>19 419 065</b>

### 2019/20 FY

- Safety permits:** A number of temporary permit applications were received during the year which resulted in over-collection. This was initially not budgeted for.
- Investment income:** The RSR invests its surplus cash balances with the South African Reserve Bank to generate more interest. Large operators such as PRASA and TFR paid their permit fees before the expiry date which resulted in a greater positive bank balance over a longer period. The delay in resolving the disputed accrued office rental expenses as well as the general underspending during the financial year also contributed to the increased investment income and as a result, over-collection. The office rental dispute is currently awaiting deliberation by the courts, therefore, it is uncertain whether payment would be made or not.

### 2020/21 FY

- Safety permits:** At the beginning of the financial year, the permit fees were adjusted down by R14.8 million in anticipation for revenue losses due to the COVID-19 lockdown restrictions. During the financial year, the RSR has received almost all the permit fees as originally budgeted for and this has resulted in more revenue generated compared to the adjusted budget.
- Investment Income:** The RSR deposits its surplus funds with the Corporation of Public Funds (CPD). More interest was generated compared to what was budgeted for due to the slow spending during the 2020/21 financial year resulting from the COVID-19 lockdown restrictions and long outstanding disputed payments.
- Penalty income:** Penalties were imposed on Transnet SOC for the contraventions in respect of Old Coronation Witbank, Olifantrivier level crossing and Chieveley level crossing. It should be noted that the RSR does not budget for variable revenue, hence the difference.

4. **Grant income:** The RSR has requested additional funds from the DoT in anticipation of permit fee losses due to the COVID-19 lockdown restrictions. The DoT allocated an amount of R15 million to the RSR which was received in instalments. The RSR has only adjusted the budget by R12.5 million as it was not certain that the last installment of R2.5 million would be received. The last installment of R2.5 million was received at the end of March 2021 and the RSR did not adjust its revenue budget, hence the difference of R2.5 million between the budget and actual received.

The RSR's revenue team is working tirelessly to collect all outstanding revenue. The team implements and ensures compliance with the RSR Revenue and Receivable Policy. The policy stipulates all collection methods to be followed for receivables, and where possible, the team engages the Permit Management unit to trace all operators that are in arrears. Reconciliations are done monthly to highlight problem areas to address it speedily. The revenue team:

- Send invoices once generated and make follow-ups.
- Issue reminders and letters of demand for debts outstanding for more than 30 days; and
- Refer debtors that owe for more than 60 days to the Legal Department to undertake legal action.

## Capital investment

The RSR is a PFMA Schedule 3A Public Entity with the DoT as its only shareholder. Assets are managed in line with the RSR's Asset Management Policy. Furthermore, the Regulator has not embarked on any infrastructure projects nor has it closed or downgraded facilities during the year.

The entity does not own significant infrastructure nor moveable assets that require continuous maintenance,

therefore, no maintenance activities were undertaken during the year. The RSR entered into lease agreements in November 2019 for its Head Office, Central, Coastal and Eastern Regional Offices. The rental expenses associated with the new operating lease agreements are significantly lower than those incurred in previous years under the full facilities lease arrangements.

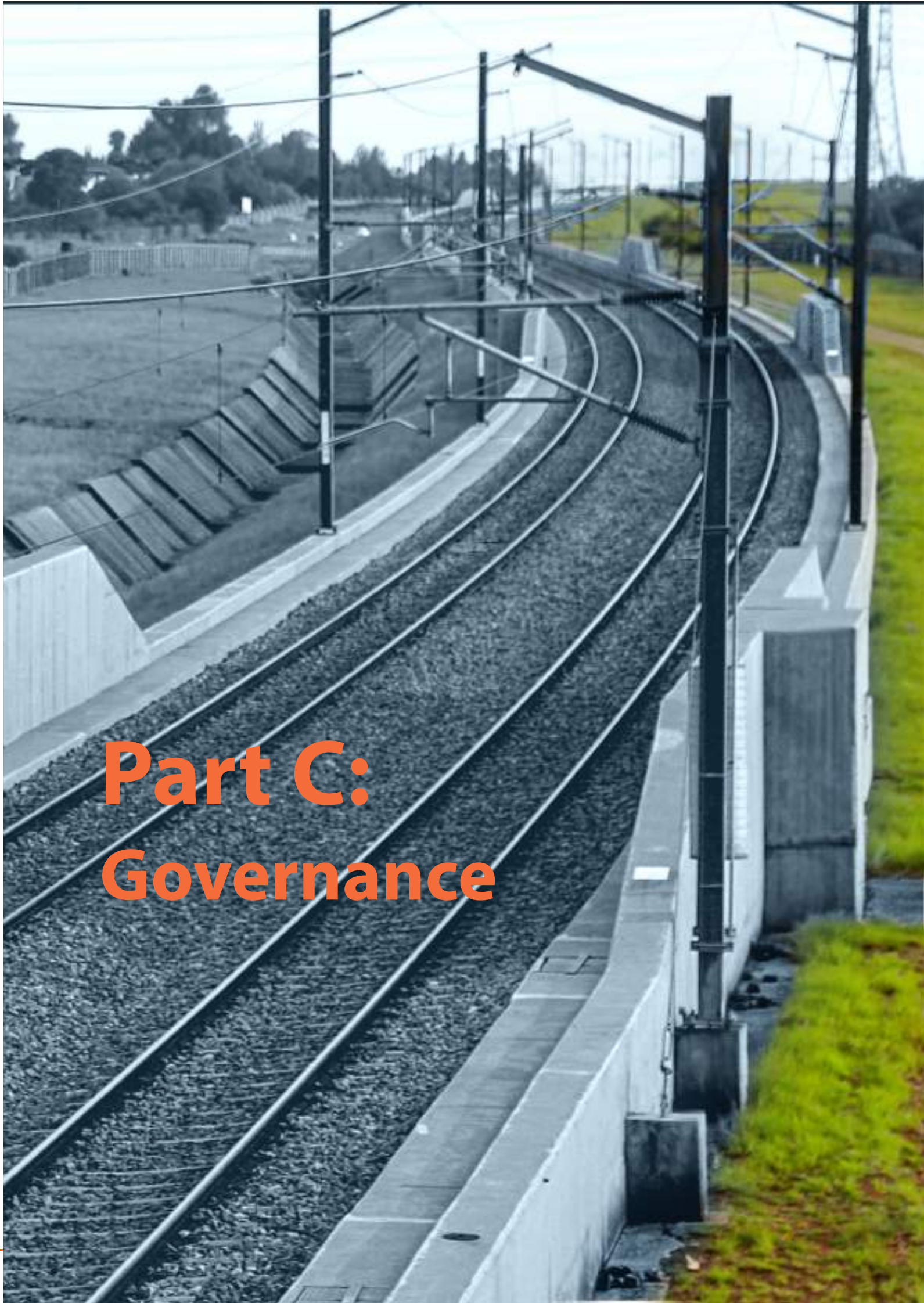
A small number of the organisation's fixed assets at 31 March 2021 comprise of newly acquired assets. These acquisitions account for 15 per cent of the carrying amount of the RSR's assets. The new acquisitions include motor vehicles (5%), office equipment (4%), computer equipment (3%), furniture (0.5%), leasehold improvements (1%) and intangible assets (1%). The disposals for the year comprise of old furniture and computer equipment that were not in use. These assets were fully depreciated.

The RSR has an Asset Management unit located in its Finance Department that is responsible for updating the asset register with all asset transactions such as receipts, movements, disposals, useful life assessments and other changes. In line with the RSR's approved Asset Management Policy, the unit conducts asset verifications at least twice a year and is complemented by the Disposal Committee which deals with the voluntary disposal of assets. All employees are required to report stolen assets to the South African Police Services within 24 hours and to furnish the Asset Management unit with the case number to ensure that the unit updates the asset register.

A limited number of the organisation's fixed assets at 31 March 2021 comprise of newly acquired assets. More than 82 per cent of the assets are in a good condition, while the remaining 18 per cent are in a satisfactory condition.

The RSR did not have any infrastructure projects during the period under review.





# Part C: Governance

## Introduction

Corporate governance embodies processes and systems that public entities are directed, controlled and held to account by. In addition to legislative requirements based on a public entity's enabling legislation and the Companies Act, corporate governance as it relates to public entities, is applied through the precepts of the Public Finance Management Act (PFMA) in tandem with the principles contained in the King Report on Corporate Governance.

Parliament, the Executive, and the Accounting Authority of the public entity are responsible for corporate governance.

## Portfolio committees

The RSR appeared before the Portfolio Committee on Transport on 16 February 2021 where the Annual Report and State of Safety Report were presented to the members of the Committee. The organisation briefed the Committee on challenges encountered with compliance by the industry and the measures it has adopted to mitigate the challenges.

## Executive authority

The organisation submits all quarterly reports to the Executive Authority and National Treasury (NT) in compliance with the NT frameworks. All quarterly reports for the 2020/21 FY were submitted within 30 days after the end of each quarter.

## Accounting authority / Board

### Introduction

The Board is committed to ensure that it complies with the letter and spirit of the legislative prescripts applicable to the RSR.

To the extent applicable and relevant to the RSR, the Board subscribes to the principles of good governance as set out in the King Report on Governance in South Africa, 2016 and recognises these as fundamentally important to the success and continued sustainability of the organisation. Good governance, among others, ensures that resources and business activities throughout the organisation are focused on attaining the objectives of the organisation.



The Board is the focal point of the organisation's corporate governance system. Corporate governance being the policies, processes, structures, and controls to be applied and adhered to within the organisation by all involved (Board of Directors, Management, Employees, Auditors, and other service providers).

1. The role of the Board is to determine the RSR's strategic direction and to exercise prudent control over the organisation and its affairs.
2. The Board delegates the implementation and execution of the organisation's short, medium, and long-term strategy to management. The Board is responsible for the approval of the policies developed by management to give effect to the approved strategy.
3. The roles of the Chairperson of the Board (Chairperson) and the Chief Executive Officer (CEO) are separate. The Chairperson shall not have any executive or management responsibilities and should thus be a non-executive director.

### **Board Charter**

The purpose of the Charter is to provide guidance to the Board of Directors of the RSR in the discharge of their duties and responsibilities and ensures a consistent corporate governance practice and culture within the organisation.

The Charter is not intended to, nor does it, replace any other document, legislation, regulation, or law of general application that regulates or applies to the RSR and/or the Board. The Charter must be read together with all applicable legislation.





## Composition of the Board: Term ended 05/08/2020

Name	Designation	Date appointed	End of term	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. Of meetings attended
Dr Nomusa Zethu Qunta	Non-executive director and RSR Board Chairperson	01/11/2016	05/08/2020	<ul style="list-style-type: none"> <li>BAdmin (Unizul)</li> <li>BCom Hons (UP)</li> <li>MCom (UP)</li> <li>MBA (University of Oxford Brookes)</li> <li>Certificate in Public Sector Corporate Governance (UNISA)</li> <li>PHD (Wits)</li> <li>BA Honours in Theology (North West University)</li> </ul>	<ul style="list-style-type: none"> <li>Strategic planning</li> <li>Strategy development</li> <li>Business planning financial and management accounting</li> <li>Performance management Macro-economic planning</li> <li>Corporate governance</li> <li>Policy development</li> <li>Training and development</li> </ul>	<ul style="list-style-type: none"> <li>Commissioner with the Independent Commission for Public Officer Bearers in the Presidency</li> <li>Board of KZN Tourism</li> <li>Road Accident Fund</li> <li>RTIA</li> <li>Department of Sports</li> <li>Member of Eastern Cape Department of Education ARC, Free State Development Corporation ARC and Department of Rural Development, Agriculture and Land Affairs.</li> </ul>	<ul style="list-style-type: none"> <li>Audit Committee: Limpopo Economic Cluster Audit Committee (Chair)</li> </ul>	03

Name	Designation	Date appointed	End of term	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. Of meetings attended
Mr Boy Johannes Nobunga	Non-executive director and Board Deputy Chairperson	01/11/2016	N/A	<ul style="list-style-type: none"> <li>BCom Hons (UWC)</li> <li>Diploma in Public Relations (IAC)</li> <li>Cert in Economic and Public Finance (UNISA)</li> <li>Advanced Diploma in Economic Policy (UWC)</li> </ul>	<ul style="list-style-type: none"> <li>Governance and legislation</li> </ul>	<ul style="list-style-type: none"> <li>RSR Deputy Chairperson</li> <li>Mpumalanga Tourism and Parks Agency</li> </ul>	N/A	03



Name	Designation	Date appointed	End of term	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. Of meetings attended
Ms Hilda Thopola	Non-executive director	01/11/2016	05/08/2020	<ul style="list-style-type: none"> <li>• Master's in Public Health (MPH) in Occupational Hygiene (WITS)</li> <li>• Senior Management Development in Business Administration (SMDP: USB)</li> <li>• Total Quality Management (UNISA)</li> <li>• Higher Diploma Environmental Health (TUT)</li> <li>• Higher Diploma Occupational Health &amp; Safety Management: (POTCH UNIV)</li> <li>• Diploma Environmental Health (TUT)</li> <li>• International NEBOSH Environmental Management (UK)</li> </ul>	<ul style="list-style-type: none"> <li>• Enterprise-wide risk management (Corporate, operational and SHE risk assessment, evaluation and control)</li> <li>• Environmental health and management</li> <li>• Public health, education, and development</li> <li>• Occupational health/hygiene &amp; safety</li> <li>• Safety, health, environment and quality management system (SHEQ)</li> <li>• Design, implementation and monitoring of an integrated health and wellness model</li> <li>• SHEQ system and legal compliance audit</li> <li>• Construction contractor safety and management</li> <li>• Safety, health, environmental, education and training</li> <li>• HPCSA: HI 0042803</li> <li>• SAIOSH: 25324394</li> </ul>	<ul style="list-style-type: none"> <li>• Council Member: National Forest Advisory Council</li> <li>• Ekurhuleni Housing Company</li> </ul>	<ul style="list-style-type: none"> <li>• Chairperson: RSR Safety Committee</li> <li>• Member: Human Resource and Remuneration Committee</li> </ul>	03



Name	Designation	Date appointed	End of term	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. Of meetings attended
Mr Andre Harrison	Non-executive director	01/11/2013	05/08/2020	<ul style="list-style-type: none"> <li>Bachelor of Philosophy in Knowledge Management (Stellenbosch)</li> <li>Certificate in Logistics Management (UP)</li> <li>MBA (UCT)</li> <li>National Diploma for Technicians (CPUT)</li> </ul>	<ul style="list-style-type: none"> <li>Strategy and strategic management</li> <li>Operations and logistics</li> <li>Knowledge management</li> </ul>	<ul style="list-style-type: none"> <li>Non-executive director: Africa Rising Leadership &amp; Management Practitioners Pty Ltd</li> <li>Member: Chartered Institute of Logistics and Transport.</li> <li>Institute of Information Technology Professionals South Africa.</li> <li>Institute of Directors in Southern Africa</li> </ul>	<ul style="list-style-type: none"> <li>Human Resource and Remuneration Committee</li> </ul>	03

Name	Designation	Date appointed	End of term	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. Of meetings attended
Maj-Gen Willem Venter (Retired) (SOEG)	Non-executive director	01/11/2016 (re-appointment)	05/08/2020	<ul style="list-style-type: none"> <li>National Higher Certificate Police Administration (UP)</li> <li>National Diploma Police Administration (Dept of Education)</li> <li>Bachelor of Law (UNISA)</li> <li>Baccalaureus Procurations (UNISA)</li> <li>Master of Public Administration (UP)</li> <li>Certificate Public Relations (PRISA)</li> <li>Academic Honorary Colours (UP)</li> <li>Executive Public Management Development Programme (UP)</li> </ul>	<ul style="list-style-type: none"> <li>Major events security (security advisor)</li> <li>Railway Raid and Rapid Police</li> <li>Reintroduction and development of a policing capacity for the rail environment in South Africa</li> <li>Acting divisional commissioner visible policing on a rotational basis</li> </ul>	N/A	<ul style="list-style-type: none"> <li>Member: Safety Committee</li> </ul>	03

Name	Designation	Date appointed	End of term	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. Of meetings attended
Ms Ntombizine Mbiza	Non-Executive Director	01/11/2016 (re-appointment)	05/08/2020	<ul style="list-style-type: none"> <li>Bachelor of Law (Middlesex University United Kingdom) with Articles</li> <li>BA International Relations</li> <li>Honours International Relations</li> </ul>	<ul style="list-style-type: none"> <li>Law Diplomacy</li> </ul>	N/A	<ul style="list-style-type: none"> <li>Member: Audit and Risk Committee</li> <li>Member: Human Resource and Remuneration Committee</li> </ul>	03
Mr Jan-David Villiers	Non-executive director	11/10/2018	05/08/2020	<ul style="list-style-type: none"> <li>Baccalaureus Artium (Potchefstroom University)</li> <li>BCom Financial Management (UP)</li> <li>Advanced Certificate in Tax (UP)</li> <li>Certificate in Business Management (WITS)</li> </ul>	<ul style="list-style-type: none"> <li>Rail policy and economic regulation</li> <li>Rail infrastructure and industry development</li> </ul>	<ul style="list-style-type: none"> <li>Advisor: Gautrain Management Agency</li> </ul>	<ul style="list-style-type: none"> <li>Member: Safety Committee</li> </ul>	02



Name	Designation	Date appointed	End of term	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. Of meetings attended
Mr Tibor Szana	Non - executive director	01/11/2016 (re-appointment)	05/08/2020	<ul style="list-style-type: none"> <li>National Higher Diploma (Mechanical Engineering): Cape Town Technikon</li> </ul>	<ul style="list-style-type: none"> <li>Occupational health and safety               <ul style="list-style-type: none"> <li>➤ Inspections</li> <li>➤ Investigations</li> <li>➤ Qualifications in Mechanical Engineering</li> </ul> </li> </ul>	N/A	<ul style="list-style-type: none"> <li>Member: Safety Committee</li> <li>External: Department of Employment and Labour</li> <li>Chairperson of the Advisory Council for OHS</li> <li>Member of the Board at the Compensation Fund</li> <li>Member of the Investment Committee</li> </ul>	03

Name	Designation	Date appointed	End of term	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. Of meetings attended
Maj-Gen Michael Motlhala	Non-executive director	01/11/2016	05/08/2020	<ul style="list-style-type: none"> <li>BTech Policing (TUT)</li> <li>National Higher Diploma Policing (UNISA)</li> <li>National Diploma Police Administration (UNISA)</li> </ul>	<ul style="list-style-type: none"> <li>Executive management and leadership</li> <li>Railway policing</li> <li>Partnership policing</li> <li>Crime prevention</li> <li>Tactical planning and operations</li> <li>Police emergency services</li> <li>Major</li> <li>Events planning and operations</li> <li>Community policing</li> <li>Joint planning and operations</li> </ul>	N/A	<ul style="list-style-type: none"> <li>Member: Safety Committee</li> </ul>	03
Mr Chris De Vos	Non-executive director	01/11/2016	N/A	<ul style="list-style-type: none"> <li>Certificate: Labour Relations (UP);</li> <li>Advanced Labour Law Diploma (RAU)</li> <li>Certificate Labour Relations Trade Unions (UP);</li> <li>Diploma: Conciliation and Mediation (CCMA)</li> </ul>	<ul style="list-style-type: none"> <li>Rail operations</li> <li>Railway incidents Investigations</li> <li>Human relations</li> <li>Basic Conditions of Employment Act</li> <li>Labour Relations Act</li> <li>Act 85 Investigations</li> </ul>	N/A	<ul style="list-style-type: none"> <li>Member: Human Resource and Remuneration Committee</li> <li>Member: Safety Committee</li> </ul>	03

Name	Designation	Date appointed	End of term	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. Of meetings attended
Mrs Irene Dlamini	Non-executive director	26/04/2019	05/08/2020	<ul style="list-style-type: none"> <li>SAMTRAC(NOSA)</li> <li>ASHEP (NOSA)</li> <li>HIRA (NOSA)</li> <li>Accident investigation (FOREFRONT)</li> </ul>	<ul style="list-style-type: none"> <li>Occupational Health and Safety</li> </ul>	Sector Education and Training Authority (SETA)	<ul style="list-style-type: none"> <li>Member: Human Resource and Remuneration Committee</li> </ul>	03
Ms Tshepo Kgare	Non-executive director	30/11/2017	N/A	<ul style="list-style-type: none"> <li>Post Graduate Diploma in Traffic and Transportation (Nottingham Trent University, UK);</li> <li>Diploma in Road Safety (Lund University, Sweden);</li> <li>National Diploma: Civil Engineering (Vaal Triangle Technikon);</li> <li>Certificate: Risk Management (UCT)</li> </ul>	<ul style="list-style-type: none"> <li>Strategic leadership: strategy formulation and execution.</li> <li>Organisational design and performance management</li> <li>General management: operations, finance and human resources</li> <li>Regulatory management: compliance</li> <li>Corporate governance</li> <li>Project/program management</li> <li>Policy development</li> <li>Transport management and planning</li> </ul>	<ul style="list-style-type: none"> <li>Member: Human Resources and Remuneration Committee</li> <li>Member: Safety Committee</li> <li>Member: Audit and Risk Committee</li> </ul>	10	



## New Board: Term commencing 06/08/2020

Name	Designation	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. of meetings attended
Mr Boy Johannes Nobunga	Non-executive director and Board Chairperson	06/08/2020 (re-appointment)	N/A	<ul style="list-style-type: none"> <li>BCom Hons (UWC)</li> <li>Diploma in Public Relations (IAC)</li> <li>Certificate in Economic and Public Finance (UNISA)</li> <li>Advanced Diploma in Economic Policy (UWC)</li> </ul>	<ul style="list-style-type: none"> <li>Governance and legislation</li> </ul>	<ul style="list-style-type: none"> <li>RSR Chairperson</li> <li>Mpumalanga Tourism and Parks Agency</li> </ul>	N/A	09

Name	Designation	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. of meetings attended
Ms Yongama Pamla	Non-executive director and Deputy Chairperson/	06/08/2020	N/A	<ul style="list-style-type: none"> <li>Chartered Accountant (South Africa)</li> <li>Postgraduate Diploma in Accounting (UCT)</li> <li>Postgraduate in Management Financial Accounting (UCT)</li> <li>Bachelor of Commerce Accounting (University of Fort Hare)</li> </ul>	<ul style="list-style-type: none"> <li>Strategy formulation</li> <li>Financial management (including accounting and auditing)</li> <li>Risk and compliance management</li> <li>Policy development</li> <li>Corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>Tshwaranang Legal Advocacy Centre Board Member</li> <li>Gauteng Liquor Board Independent Board member</li> <li>Workers Life Group Independent non-executive director and Audit and Risk Committee Member</li> <li>Optron Group (Pty) Ltd Non-executive member and Audit and Risk Committee member</li> <li>City of Johannesburg Property Company SOC Limited Independent executive director, Chairperson: Audit and Risk Committee and Transactions and Service Delivery Committee member</li> </ul>	<ul style="list-style-type: none"> <li>Chairperson: Board Procurement Committee</li> </ul>	09

Name	Designation	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. of meetings attended
Adv Johannes Collen Weapond	Non-executive director	06/08/2020	N/A	<ul style="list-style-type: none"> <li>MTech Information Technology (CPUT)</li> <li>Master's in Business Systems (Wismar University of Germany)</li> <li>BCom Honours Information Technology (UCT)</li> <li>MTech Forensic Investigation (UNISA)</li> <li>Bachelor of Laws (LLB) (UNISA)</li> <li>BTech Policing and Investigation (Tshwane University of Technology)</li> <li>Diploma Business Management (Business Management Training College)</li> <li>Certificate Policing (TUT)</li> <li>Certificate in Leadership Development (WITS)</li> <li>BJuris</li> </ul>	<ul style="list-style-type: none"> <li>Corporate governance</li> <li>Strategic management</li> <li>Monitoring the implementation of action plans</li> <li>Development and implementation of risk mitigation measures</li> <li>Risk management oversight</li> <li>Monitoring the implementation of strategic and operational risk</li> <li>Legal and information technology management</li> <li>Criminal profiling and investigation; Corporate investigation; Compliance and fraud management.</li> <li>Forensic and fraud investigation</li> </ul>	<ul style="list-style-type: none"> <li>Chairperson: Audit Committee: Eastern Cape-Office of the Premier</li> <li>Chairperson: Audit and Risk and Fraud Prevention Committee – Mkhondo Municipality</li> <li>Chairperson: Audit Committee Department of Social Development: Eastern Cape</li> <li>Non-executive director: Brakpan Bus Company</li> <li>Member of Council: Council for Medical Schemes</li> <li>Chairperson: Risk and Communication Technology</li> <li>Member: Free State Audit Committee</li> <li>Non-executive director: National Lotteries Commission</li> <li>Chairperson: Subcommittee Legal</li> <li>Member: Audit Committee (Wholesale and Retail SETA)</li> </ul>	<ul style="list-style-type: none"> <li>Member: Audit and Risk Committee</li> <li>Member: Board Procurement Committee</li> </ul>	09



Name	Designation	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. of meetings attended
Mr Sisa Lunga Mtwa	Non-executive director	06/08/2020	N/A	<ul style="list-style-type: none"> <li>BSc (Fort Hare)</li> <li>BSc (Chem Eng.) (UCT)</li> <li>Global Executive Development Program (GIBS)</li> <li>Certificate in Directorship</li> <li>(IoDSA)</li> <li>Strategic Leadership Coaching</li> <li>(UCT - GSB)</li> </ul>	<ul style="list-style-type: none"> <li>Business leadership and direction</li> <li>Business strategy development and execution</li> <li>Business transformation and turnaround</li> <li>Corporate governance, risk management and compliance</li> <li>Engineering and technical management</li> <li>Management systems development</li> <li>Manufacturing operations management</li> <li>Transport and logistics business leadership</li> <li>Strategic leadership coaching and mentoring</li> </ul>	<ul style="list-style-type: none"> <li>Non-executive: Africa Rising &amp; Leadership Practitioners</li> <li>Principal Member: Terbilogix cc</li> <li>Non-executive: City Community Patrol Board</li> </ul>	<ul style="list-style-type: none"> <li>Chairperson: Safety Committee</li> <li>Member: Board Procurement Committee</li> <li>Member: Human Resource &amp; Remuneration Committee</li> </ul>	09

Name	Designation	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. of meetings attended
Ms Nokuzola Gloria Khumalo	Non-executive director	06/08/2020	N/A	<ul style="list-style-type: none"> <li>BA (UKZN)</li> <li>Postgraduate Diploma: Marketing and Supply Chain Management</li> <li>LLB (UNISA)</li> <li>Commissioner Training Course (CCMA)</li> <li>Admitted Attorney High Court</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance of rolling stock.</li> <li>Logistics Management</li> <li>Customer service management</li> <li>Marketing management</li> </ul>	<ul style="list-style-type: none"> <li>Member: Audit and Risk Committee Gert Sibande District Municipality</li> <li>Council Member: TVET College</li> <li>Non-executive director: Leratong Hospital</li> </ul>	<ul style="list-style-type: none"> <li>Member: Human Resource and Remuneration Committee</li> <li>Member: Adhoc Board Procurement Committee</li> </ul>	09
Adv Frans Johannes Van Der Westhuizen	Non-executive director	06/08/2020	N/A	<ul style="list-style-type: none"> <li>Diploma IURIS (UNISA)</li> <li>B.JURIS (UNISA)</li> <li>LLB (UNISA)</li> </ul>	<ul style="list-style-type: none"> <li>Adjudicator: housing disputes.</li> <li>Specialists Board of Enquiry</li> </ul>	<ul style="list-style-type: none"> <li>Member Audit Committee: Boxing South Africa</li> <li>Non-executive director: Estate Agency Affairs Board</li> <li>Non-executive director: Gauteng Gambling Board Disciplinary</li> <li>Non-executive director: Air Services Licensing Department</li> </ul>	<ul style="list-style-type: none"> <li>Member: Human Resource and Remuneration Committee</li> <li>Member: Safety Committee</li> </ul>	06

Name	Designation	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. of meetings attended
Ms Dineo Mathibedi	Non-executive director	06/08/2020	N/A	<ul style="list-style-type: none"> <li>• MBA (Regenesys Business School)</li> <li>• Advance Diploma Organisational Development (UNISA)</li> <li>• BSc Honours in Psychology (UNISA)</li> <li>• B Cur Degree (MEDUNSA)</li> </ul>	<ul style="list-style-type: none"> <li>• Chartered Human Resources Professional.</li> <li>• Organisational Strategy; Governance Framework.</li> <li>• Strategic risk management</li> <li>• Financial management; ICT management; supply chain management.</li> <li>• Knowledge management</li> <li>• Human resource management.</li> <li>• Talent management; organisational development</li> </ul>	-	<ul style="list-style-type: none"> <li>• Chairperson: Human Resource and Committee</li> </ul>	09

Name	Designation	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. of meetings attended
Ms Nompumelelo Sibongile Ekeke	Non-Executive Director	06/08/2020	N/A	<ul style="list-style-type: none"> <li>Master's Degree in Disaster Management (UFS)</li> <li>Advance Diploma Disaster Management (UFS)</li> <li>BEd Adult and Community Education (UJ)</li> <li>BA English and Geography (UNISA)</li> <li>Teachers Diploma (Transvaal Teachers College)</li> <li>Diploma Human Resource and Management (Varsity College)</li> </ul>	<ul style="list-style-type: none"> <li>Design and implementation of strategic planning</li> <li>Communications plans; disaster management</li> <li>Project management strategic</li> <li>Stakeholder engagement and planning</li> <li>Occupational health and safety</li> <li>Training and capacity building</li> <li>Development and implementation disaster assessment and strategy</li> </ul>	N/A	<ul style="list-style-type: none"> <li>Member: Safety Committee</li> </ul>	09



Name	Designation	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. of meetings attended
Ms Salome Chiloane-Nwabueze	Non-executive director	06/08/2020	N/A	<ul style="list-style-type: none"> <li>MBA (UNW)</li> <li>Master of Science in Civil Engineering (WITS)</li> <li>Bachelor of Science Honours (University of Limpopo)</li> <li>Bachelor of Science in Water and Sanitation (University of Limpopo)</li> <li>Certificate OHSAS</li> <li>Facilitation and Training Certificate</li> </ul>	<ul style="list-style-type: none"> <li>Risk management.</li> <li>Governance project management</li> <li>Civil engineering services; water, sanitation, roads and transport management.</li> <li>Research specialists</li> <li>Management strategic advisory</li> <li>Stakeholder management</li> <li>Environmental and impact assessment</li> <li>Transport management (meter taxis and minibus taxis)</li> </ul>	N/A	<ul style="list-style-type: none"> <li>Member: Safety Committee</li> </ul>	09

Name	Designation	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorships	Other committees or task teams	No. of meetings attended
Mr Christiaan De Vos	Non-executive director	01/03/2021 (re-appointment)	N/A	<ul style="list-style-type: none"> <li>Certificate: Labour Relations (UP)</li> <li>Advanced Labour Law Diploma (RAU)</li> <li>Certificate Labour Relations Trade Unions (UP)</li> <li>Diploma: Conciliation and Mediation (CCMA)</li> </ul>	<ul style="list-style-type: none"> <li>Rail operations</li> <li>Railway incidents investigations</li> <li>Human relations</li> <li>Basic Conditions of Employment Act</li> <li>Labour Relations Act</li> <li>Act 85 Investigations</li> </ul>	N/A	<ul style="list-style-type: none"> <li>Member: Human Resource and Remuneration Committee</li> <li>Member: Safety Committee</li> </ul>	N/A



Name	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 (e.g.: Audit committee / Ministerial task team)	No. of Meetings attended
Ms Tshepo Kgare	ACEO	30/11/2017	N/A	<ul style="list-style-type: none"> <li>Post Graduate Diploma in Traffic and Transportation (Nottingham Trent University, UK)</li> <li>Diploma in Road Safety (Lund University, Sweden)</li> <li>National Diploma: Civil Engineering (Vaal Triangle Technikon)</li> <li>Certificate: Risk Management (UCT)</li> </ul>	<ul style="list-style-type: none"> <li>Strategic leadership: strategy formulation and execution</li> <li>Organisational design and performance management</li> <li>General management: operations, finance, and human resources</li> <li>Regulatory management: compliance</li> <li>Corporate governance</li> <li>Project/ programme management</li> <li>Policy development</li> <li>Transport management and planning</li> </ul>	N/A	<ul style="list-style-type: none"> <li>Member: Human Resources and Remuneration Committee</li> <li>Member: Safety Committee</li> <li>Member: Audit and Risk Committee</li> </ul>	07

There are no alternate members of the Board.

## Committees

Committee	No. of meetings held	No. of members	Name of members
Audit and Risk Committee	20/04/2020	02	Dr P Dala Ms N Mbiza (Chairperson)
	21/05/2020	04	Ms M Phiri (Chairperson) Dr P Dala Ms N Mbiza Ms M Mbonambi
	12/06/2020	04	Ms M Phiri (Chairperson) Dr P Dala Ms Ntombizine Mbiza Ms M Mbonambi
	16/07/2020	04	Ms M Phiri (Chairperson) Dr P Dala Ms Ntombizine Mbiza Ms Masaccha Mbonambi (Absent)
	20/07/2020	04	Ms M Phiri (Chairperson) Dr P Dala Ms Ntombizine Mbiza Ms M Mbonambi
	20/10/2020	04	Ms M Phiri (Chairperson) Dr P Dala Ms M Mbonambi Adv C Weapond
	12/11/2020	04	Ms M Phiri (Chairperson) Dr P Dala Ms M Mbonambi Adv C Weapond (Absent)
	22/01/2021	04	Ms M Phiri (Chairperson) Dr P Dala Ms M Mbonambi Adv C Weapond
	01/03/2021	04	Ms M Phiri (Chairperson) Dr P Dala Ms M Mbonambi Adv C Weapond



Committee	No. of meetings held	No. of members	Name of members
Human Resource and Committee	24/04/2020	06	Mr A Harrison (Chairperson) Ms H Thopola Ms I Dlamini Mr C De Vos Ms N Mbiza Ms T Kgare
	21/07/2020	06	Mr A Harrison (Chairperson) Ms H Thopola Ms I Dlamini Mr C De Vos Ms N Mbiza Ms T Kgare
	21/10/2020	04	Ms D Mathibedi (Chairperson) Ms N Khumalo Adv F Van Der Westhuizen Ms T Kgare
	04/01/2021 (In-Committee)	03	Ms D Mathibedi (Chairperson) Ms N Khumalo Adv F Van Der Westhuizen
	20/01/2021	04	Ms D Mathibedi (Chairperson) Ms N Khumalo Ms Y Pamla Ms T Kgare
	05/02/2021 (In-Committee)	03	Ms D Mathibedi (Chairperson) Ms N Khumalo Ms Y Pamla
	23/03/2021 (In-Committee)	04	Ms D Mathibedi (Chairperson) Ms N Khumalo Adv F Van Der Westhuizen Mr C De Vos



Committee	No. of meetings held	No. of members	Name of members
Safety Committee	23/04/2020	06	Ms H Thopola (Chairperson) Mr C De Vos Major General W Venter Major General M Motlhalo (Absent) Mr T Szana Ms T Kgare
	23/07/2020	06	Ms H Thopola (Chairperson) Mr C De Vos Major General W Venter Major General M Motlhalo (Absent) Mr T Szana Ms T Kgare
	23/09/2020	05	Mr S Mtwla (Chairperson) Adv F Van Der Westhuizen (Absent) Ms S Nwabueze Ms N Ekeke Ms T Kgare
	22/10/2020	05	Mr S Mtwla (Chairperson) Adv F Van Der Westhuizen (Absent) Ms S Nwabueze Ms N Ekeke Ms T Kgare
	21/01/2021	05	Mr S Mtwla (Chairperson) Adv F Van Der Westhuizen (Absent) Ms S Nwabueze Ms N Ekeke Ms T Kgare

### Ad Hoc committee procurement committee

Committee	No. of meetings held	No. of members	Name of members
Procurement Committee	04/11/2020	05	Ms Y Pamla (Chairperson) Adv C Weapond Ms N Khumalo Mr S Mtwla Ms T Kgare
	13/11/2020	05	Ms Y Pamla (Chairperson) Adv C Weapond Ms N Khumalo Mr S Mtwla Ms T Kgare

## Remuneration of Board Members

In terms of the National Treasury Circular on the service benefits package for office bearers of certain institutions, the remuneration of the RSR Board and committee members are classified under Category S. The Circular provides a schedule of pre-determined fees payable to board members on an annual basis. The DoT annually confirms the rates prescribed in terms of the National Treasury Circular.

In addition, External Audit and Risk Committee Members are remunerated in terms of the rates prescribed by the South African Institute of Chartered Accountants (SAICA).

The following members are not remunerated:

1. A person from a specified office in the National Department of Transport.
2. A person delegated by the Minister of Labour; and
3. A person delegated by the Minister of Safety and Security.



Name	Remuneration	Other allowance	Other re-imbursements	Total
Dr NZ Qunta (Chairperson)	142,430	1,850	-	144,280
Mr BJ Nobunga (Deputy Chairperson)	103,744	10,700	17,515	131,959
Mr JD De Villiers <sup>1</sup>	-	-	-	-
Adv FJ van der Westhuizen	66,780	8,200	-	74,980
Mr CJ de Vos	77,676	2,600	-	80,276
Mr A Harrison	66,339	1,100	-	67,439
Major General MM Motlhala <sup>1</sup>	-	-	-	-
Mr T Szana <sup>1</sup>	-	-	-	-
Ms I Dlamini	58,765	1,100	-	59,865
Ms N Mbiza	105,149	1,100	-	106,249
Ms HT Thopola	76,152	1,100	-	77,252
Major General Willem Venter	59,401	1,100	-	60,501
Ms Y Pamla	135,466	9,700	569	145,735
Ms D Mathibedi	125,113	9,700	-	134,813
Ms N Khumalo	106,362	9,700	228	116,290
Adv Collen Weapond	87,905	9,700	126	97,731
Mr S Mtwá	110,995	9,700	-	120,695
Ms N Ekeke	96,137	9,700	185	106,022
Ms S Nwabueze	96,138	9,700	382	106,220
<b>TOTAL</b>	<b>1,514,552</b>	<b>96,750</b>	<b>19,005</b>	<b>1,630,307</b>

<sup>1</sup> Members not remunerated.



# Risk management

## Responsibilities of the Audit and Risk Committee

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51 (1) (a) (ii) of the PFMA and the National Treasury Regulation 27.1. The Audit and Risk Committee has adopted formal terms of reference, the Audit and Risk Committee Charter has regulated its affairs and discharged all its responsibilities in compliance with this Charter.

### Integrated Risk Management

The Board is responsible for entrenching RSR-wide risk management governance through effective leadership. Management accounts to the Board for the effective integration of risk management into the daily operations and for the implementation and monitoring of the risk management process.

The Committee considers all risk-related matters, including emerging risks in the organisation and provides advice and guidance on the overall risk management system, with special attention placed on the risks that have been measured as above the acceptable tolerance levels of the organisation. The Audit and Risk Committee independently monitors the effectiveness of the risk management system and reports to the Board accordingly.

The RSR has implemented an integrated internal enterprise risk management strategy which identifies risks and opportunities on an ongoing basis. This strategy is underpinned by the following principles:

- A strong and solid risk culture is a critical pillar of good governance;
- Consideration of real and potential risks in decision-making processes;
- The acceptance that risk management is mandatory;

- Continuous monitoring of the risk exposure as impacted by the changing internal and external environment;
- Acceptance that accountability for risk management cannot be deferred or shifted; and
- The importance of maintaining an appropriate balance between risk and control.

### Business Continuity Management

During the year under review, the RSR initiated a process to acquire an ISO 22301: Business Continuity Management certification to align the organisation's business continuity programme to best national and international practices. The certification to the ISO 22301 Standard will enable the Regulator to effectively and continuously manage and recover from disruptions to business processes because of uncertainty.

By the end of March 2021, 50 per cent of gaps identified to align the RSR's Business continuity programme to provisions of the ISO 22301 standard had been implemented. The process is envisaged to be finalised by the end of the 21/22 FY wherein the Regulator will obtain certification against the standard.

### Combined Assurance

In line with the provisions of the King IV report on Corporate Governance, the RSR has adopted a combined assurance model that incorporates and optimises all assurance services and functions so that, taken as a whole, these enable an effective control environment; support the integrity of information used for internal decision making by management; the governing body and its committees; and support the integrity of the organisations external reports.

The RSR has adopted a Five (5) Level of defence approach to combined assurance.

During the year under review, a Combined Assurance Plan was compiled from the risk analysis performed and translated into the Strategic Risk Register. The combined assurance model for the RSR focused on high-risk

areas and the related assurance to be provided by line management, risk management, internal audit, external audit, and other Regulatory assurance providers. All efforts by the different assurance providers were coordinated and these enabled management to assign resources efficiently to mitigate the risks to an acceptable level.

### **Risk Maturity Assessment**

As part of the RSR's continued drive to improve its risk management culture and practices, an independent risk maturity evaluation of the organisation's current risk management culture was conducted in the 2020/21 FY.

The evaluation established that there is a high level of intent in the organisation to achieve performance in all risk management processes and equally satisfactory implementation. The RSR's risk management processes were evaluated at a score of 3.4 out of 5. The results indicate the progress made in meeting risk management and governance requirements in the organisation. The assessment focused on establishing whether compliance to governance requirements is attained and whether the RSR is deriving value from risk management to balance risk and reward. The RSR shall continuously ensure improvement in risk management processes to ensure the Regulator achieves its objectives as per the Act.

### **Institute of Risk Management of South Africa**

During the year under review, the RSR was nominated and was a finalist of the Institute of Risk Management of South Africa (IRMSA) awards under the industry category for transport and logistics. The nomination serves as an assurance that risk management activities are embedded in the activities of the organisation as endorsed by peers in the risk and governance field.

### **Governance and Risk Management**

The Audit and Risk Committee is responsible for providing oversight of the risk management function. Management has designed and implemented controls

to manage risks faced by the RSR. The Risk Management Unit reports to the Audit and Risk Committee on the management of risks and advises management continually on the best risk management practices. This include the monitoring of progress made with the implementation of future mitigation strategies to provide assurance that the RSR is effectively managing its risks to enhance performance.

The RSR Executive Committee, under the direction of the Board of Directors, use their knowledge of the organisation and the railway industry to formulate a five-year strategic plan. The strategic risks to the plan are determined by considering the effect of uncertainty on the strategic objectives in the strategic plan.

The Committee has reviewed the strategic, operational, project-specific risk registers, considered new and emerging risks, and has satisfied itself with the current risk-mitigating measures employed as well as planned mitigations to be implemented to reduce risks where applicable to within tolerance levels.

The RSR ensures progress in the management of risks through its risk monitoring activities. It is committed to improving its risk performance on an ongoing basis, where high-risk areas are targeted through focused resources and effort. Every choice the Regulator makes in pursuit of its objectives has its risks and through day-to-day integration of risk management in decision making has resulted in improved organisational performance. The heat map below reflects the top seven strategic risks at the RSR.

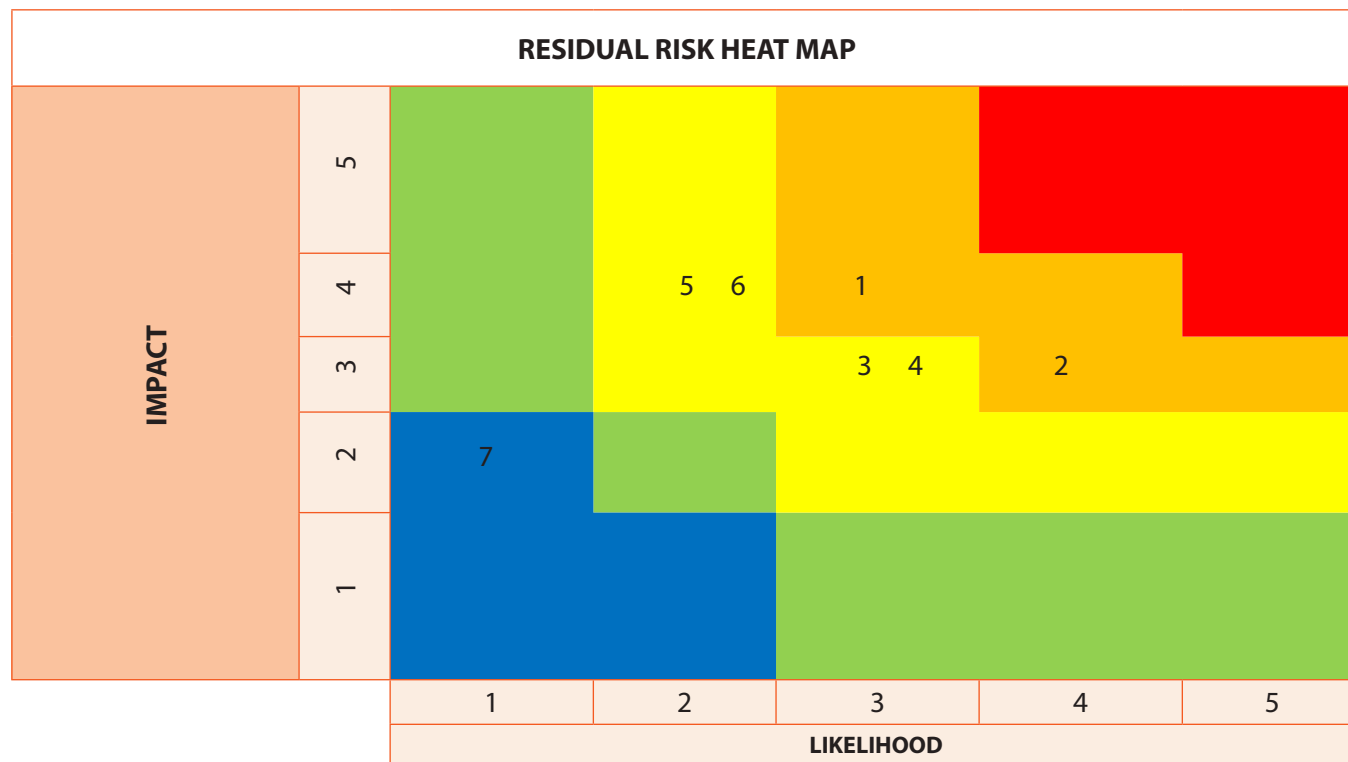
### **COVID-19 Risk Register**

Following the outbreak of the COVID-19 pandemic, a COVID-19 risk register was developed wherein risks presented by the virus where identified, these included risk of infection of employees as well as the psychological effects of the pandemic among others. Mitigation measures were identified and implemented to ensure that the organisation respond adequately and effectively to the pandemic.

The COVID-19 register was updated and monitored on a continuous basis to ensure the aptness of mitigation measures and in line with the Regulations and directives issued by national government under the Disaster Management Act, 2002 (Act No.57 of 2002).

## Top Strategic Risks

The top risks currently faced by the RSR are plotted on the Residual Risk Heatmap and are outlined in the table below:



No	Risk Name	Assessment Name	Residual Rating
1	Cyber security vulnerability	Strategic Risk Q4 20/21	12 - High
2	Inaccurate and incomplete safety information	Strategic Risk Q4 20/21	12- High
3	Inadequate regulatory framework and competencies	Strategic Risk Q4 20/21	9 - Moderate
4	Lack of independence	Strategic Risk Q4 20/21	9 - Moderate
5	Loss of key skilled personnel	Strategic Risk Q4 20/21	8 – Moderate
6	Financial sustainability	Strategic Risk Q4 20/21	8 – Moderate
7	Inadequate stakeholder buy-in and support (RSR initiatives)	Strategic Risk Q4 20/21	2 – Very low

# Internal controls

## The effectiveness of internal control

The system of controls within the RSR is designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital are properly managed in line with the PFMA and the protocol on corporate governance. This is achieved by a risk-based internal audit plan, Internal Audit assessing the adequacy of controls mitigating the risks, and the Audit and Risk Committee monitoring and providing oversight of the implementation of corrective actions.

The Audit and Risk Committee has reviewed the reports of the Annual Financial Statements and the Management Report from the Auditor-General of South Africa (AGSA), and is satisfied that the system of internal controls is applied over financial and non-financial matters and enterprise risk management. The Committee has noted management's commitment to address the lack of control effectiveness where they exist. The Committee will monitor management's progress in resolving these issues regularly.

## Internal audit and audit committees

The RSR has established an in-house Internal Audit function under the direction of the Chief Audit Executive. The function has provided the RSR with value-added services to ensure that financial, compliance, environmental, operational and performance objectives are achieved. The Audit and Risk Committee has successfully approved and monitored the implementation of the 2020/21 Internal Audit Plan with 27 planned internal audit reviews of which was implemented fully. These were as follows:

1. AFS and Performance Information
2. SCM Audit (COVID-19)
3. Performance Management
4. NIMS Next Generation
5. Occupational Health and Safety
6. Permit Management
7. Leave Management
8. Management of the MOU's
9. Management of Safety Information
10. Asset Management including IT Assets
11. Revenue Management
12. Inspections and Technical Audits
13. Directives and Penalties
14. Planning Review
15. NIMS Enhancement Project
16. Recruitment and Selection
17. Supply Chain Management
18. Performance Management Information
19. Project Management Office function
20. Ethics
21. IT- Security
22. Board Governance
23. Compliance Audit
24. Risk Management
25. Application Controls
26. Section 189
27. Training and Development



## Key activities and objectives of the Audit and Risk Committee

The primary purpose of the Audit and Risk Committee is to assist the Board in fulfilling the oversight responsibility required in terms of the PFMA, Treasury Regulations and corporate governance and has authority to:

- Conduct or authorise investigations into any matters within its scope of responsibility;
- Access information, records, and personnel as it requires to fulfil its responsibilities;
- Provide oversight over the Internal Audit and ICT function;
- Request the attendance of any executive or employee at Committee meetings;
- Conduct meetings with external auditors (Auditor-General) and internal auditors, as deemed necessary;
- Obtain advice from external parties, as necessary;
- Resolve any disagreements between management and the auditor regarding financial reporting; and
- Pre-approve all auditing and non-audit services.

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Ms M Phiri	<ul style="list-style-type: none"> <li>• BCom. Accounting</li> <li>• CTA/BCompt Honours</li> <li>• Chartered Accountant</li> <li>• Registered auditor and Registered tax practitioner</li> </ul>	External member	No	01/05/2020	Active	08
Dr P Dala	<ul style="list-style-type: none"> <li>• Bachelor of Information and Technology (Bond University)</li> <li>• Bachelor of Science (Computer Science) Honours (UJ)</li> <li>• Master of Information Technology</li> <li>• Doctorate Information Technology</li> </ul>	External member	No	01/02/2019	Active	09
Ms M Mbonambi	<ul style="list-style-type: none"> <li>• B. Accounting</li> <li>• BCom Honours (Accounting)</li> <li>• Certificate in Board Governance</li> <li>• Certificate in Enterprise-wide</li> </ul>	External member	No	01/05/2020	Active	07

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Ms N Mbiza	<ul style="list-style-type: none"> <li>· Bachelor of Law (Middlesex University, United Kingdom) with Articles</li> <li>· BA International Relations</li> <li>· Honours International Relations</li> </ul>	Board Member	No	01/11/2016	05/08/2020 (end of term)	05
Adv C Weapond	<ul style="list-style-type: none"> <li>· MTech Information Technology (Cape Peninsula University of Technology) Current.</li> <li>· Master's in Business Systems (Wismar University of Germany)</li> <li>· BCom Honours Information Technology (UCT)</li> <li>· MTech Forensic Investigation (UNISA)</li> <li>· Bachelor of Laws (LLB) (UNISA)</li> <li>· BTech (Policing and Investigation)</li> <li>· Tshwane University of Technology</li> <li>· Diploma Business Management (Business Management Training College)</li> <li>· Certificate Policing (Tshwane University of Technology)</li> <li>· Certificate in Leadership Development (WITS)</li> </ul>	Board Member	No	06/08/2020	Active	04

# Compliance with laws and regulations

The Board has delegated the responsibility for oversight of the compliance to the Audit and Risk Committee which is to supervise the effectiveness of internal control systems that includes overseeing the Compliance Risk Management of the RSR.

Compliance Risk Management is managed within the RSR through the following key activities:

- Continuous monitoring and reporting on the level of compliance with regulatory requirements, including reporting specific incidents of non-compliance to senior management and the Board;
- Providing assurance that the risks relating to regulatory requirements are identified and effectively managed; and
- Consulting with the business units in respect of the impact and responsibilities related to legislative requirements.

## Compliance Management Highlights

Compliance management requires commitment at every level of the organisation and it is, therefore, essential to create an effective compliance culture. Creating this culture also involves alignment with the ethics and values of the RSR.

During the period under review, the Compliance unit focused on the implementation of the following activities:

- Ensuring that all RSR policies are reviewed and approved by the Board;
- Development of a File Plan that was submitted to the National Archives for approval;
- Records Management and Share Point migration system training conducted for Administrative Officers (AO's);
- Development of the Quality Management

System (QMS) (ISO 9001:2015) Policy; and

- Implementation of the Legislative Compliance Management system.

## Compliance Policies

The following policies were revised and approved by the Board:

- Research Guidelines
- Talent Management Strategy
- Enterprise Management Framework
- Compliance Policy
- Quality Management
- Project Management
- Guidelines for Developments of Operational Plans
- Revenue and Receivable
- Framework of acceptable levels of materiality & significance
- Fleet Management
- Bereavement Policy
- Security Management
- Hybrid Policy and Procedure
- Internship Guidelines
- Asset Management
- Audit and Risk Charter
- ICT Charter
- Records Management
- Social and Ethics Committee Charter
- Mobile Device Policy
- HRRC Terms of Reference (TOR)
- Safety Committee TOR
- Acting Policy
- Education, Training and Development
- Conditions of Service
- Business Continuity Management
- Combined Assurance
- Organisational Culture Framework

## Records Management

Records Management is the system used to control an organisation's records from the creation of the record until the record is archived and/or destroyed. The RSR has developed a Records Management Policy and File Plan to ensure compliance with the National Archives and the Records Services of South Africa, government laws and industry regulations.

While it is easy to define basic retention rules, the RSR understood that it was equally important to document the context for maintenance and execution and to follow the necessary processes of the National Archives and Records Services of South Africa. The organisation successfully achieved the following in its records management activities:

- The Records Management Policy was developed and approved;
- The Share Point System was successfully created as a filing platform for all the organisation's records;
- The File Plan was developed and approved by EXCO pending approval by the National Archives; and
- Records management and the Share Point migration training were conducted with the relevant employees.

## ISO - 9001: 2015

ISO:9001: 2015 is a quality management standard that defines a set of quality management requirements. It presents fundamental management and quality assurance practices that can be applied in the organisation. It is intended to drive the success of the organisation.

Living up to its true values, the RSR saw it fit to introduce the ISO 9001:2015 Standard with the purpose to assist the RSR to provide services that meet all relevant needs and expectations and comply with all relevant regulatory statutory requirements. With the aim to achieve these important objectives, the RSR established a quality management system (QMS). The QMS is a set of interrelated or interacting elements that organisations use to formulate quality policies and quality objectives and to establish the processes that are needed to ensure that these policies are followed, and these objectives are achieved.

The ISO:9001: 2015 is designed to be used for certification purposes. Upon the establishment of the QMS, and on the basis that it meets the ISO's requirements, a registrar (certification body) will audit the systems and issue the relevant certification indicating that the RSR's system meets the set ISO requirements.





### Legislative Compliance Management Solution

The Legislative Compliance Management Solution is an automated system that will assist the RSR in ensuring that it remains compliant with the applicable legal and regulatory requirements preventing costly fines and unwanted non-compliant risks. The RSR procured this component through the CURA System Solutions with the aim to enhance efficiency, productivity, and faster time to resolutions by alerting and notifying the responsible parties as and when compliance risk related incidents occur. The system was successfully created. The user acceptance and system training have been completed and the project is in the implementation stage.

## Fraud and corruption

The RSR has implemented a Fraud and Corruption Prevention Strategy as part of the overall Governance and Risk Management Strategy. The effectiveness of the Strategy is monitored on an ongoing basis. Management is responsible for the prevention of incidents and occurrences of fraud

and corruption and does this through the design, implementation, and monitoring of a sound system of internal controls. A risk assessment with a specific focus on fraud and corruption is conducted annually and monitoring and reporting are done continually. Education and awareness of potential incidents of fraud and corruption are conducted regularly.

To promote fraud and corruption prevention, the organisational value of integrity and trust was prioritised by the introduction of a Whistle Blowing Policy that makes provision for employees to confidentially disclose suspected fraud and corruption. Furthermore, the Audit and Risk Committee is responsible for ensuring that all calls to the RSR's Whistle Blowing Hotline, administered by an independent external service provider, are followed up. Based on an assessment of the information received an investigation is initiated. The service provider provides a list and details of reported cases to the Audit and Risk Committee Chairperson monthly. The Audit and Risk Committee reports that no cases that warranted investigation have been reported through the hotline during the period under review.



## Minimising conflict of interest

A conflict of interest occurs when a person's or entity's vested interests raise a question of whether their actions, judgment, and/or decision-making can be unbiased.

The RSR endeavours to mitigate conflict of interest by avoiding it.

The RSR is guided by its approved Code of Conduct and Ethics, as approved by the Board, to uphold the highest ethical standards, norms, and certain professional behaviour. Every employee is expected to:

- Declare financial interests at the beginning of every financial year as required by the RSR Conditions of Service;
- Take personal responsibility for their actions and comply with all legal obligations, policies, and procedures;
- Act honestly and in good faith;
- Perform their duties conscientiously and in the best interest of the RSR; and
- Exercise reasonable care and diligence in the performance of their duties.

## Code of conduct

The purpose of the RSR's Code of Conduct and Ethics is to:

- Establish standards that would promote and encourage ethical behaviour and decision making by all RSR employees, Board members and stakeholders;
- Ensure that ethics and desirable business conduct are communicated as an integral part of the RSR's corporate identity, culture, and purpose;
- Ensure that a good ethical foundation informs the RSR's policies, procedures, practices, conduct and business processes; and
- Relay a clear message that failure to live up to the desired ethics and conduct could undermine the RSR's objectives and will not be tolerated.

The RSR deems contravention of this Code as a serious matter and those who violate the Code or similar policies will be subjected to disciplinary measures, which may include the termination of services. Disciplinary measures may also be imposed for conduct that is considered unethical or improper, even if the conduct is not specifically covered in the Code.

In all cases and where applicable, the RSR's Employee Relations Policy, Disciplinary Code and Procedure and the National Railway Safety Regulator Act No. 16 of 2002, as amended, will be followed. Contraventions may also lead to civil action or criminal charges. Approval must be sought in advance for any action that may be non-compliant with the Code. Such approvals may only be granted by the CEO in consultation with the Board. Only the Board may grant waivers of this Code for directors and executive officers of the RSR. When a waiver is granted, the Board shall ensure that appropriate controls are in place to protect the RSR and its stakeholders.

# Health safety and environmental issues

The management of occupational health and safety (OHS) risks, and the implementation of controls remain crucial and integral to the activities of the RSR. As an authority body for the railway industry in South Africa, the RSR continues to lead by example in matters relating to occupational health and safety, thereby prioritising the management of health and safety for its employees, contractors, visitors, and any other stakeholder that may encounter the Regulator's activities. Compliance to the applicable national OHS legislation and global best practices, therefore, remains a primary focus of the RSR.

The RSR further continues to support and ensure compliance to the OHS legislative framework, by facilitating the integration of these legislations into the Railway Safety Regulatory Framework.

In an endeavour to fulfil its legal and moral obligations for the provision of a safe work environment, the RSR has developed several relevant occupational health and safety policies, procedures and to provide guidance and facilitate compliance to the applicable legislation. The approved OHS Policy and Smoking Policy have been implemented in the year under review to ensure compliance to OHS and related legislative requirements. During the 2020/21 FY, the following milestones were achieved:

## Policy Development

### *Management of Injuries and Diseases on Duty Policy*

The Policy was developed and approved in support of the Regulator's growth trajectory and the commitment by the RSR to manage injuries and diseases on duty. The Policy is aligned to the Occupational Health and Safety Act No. 85 of 1993, as amended and Compensation for Occupational Injuries and Diseases Act, No. 130 of 1993.

## Programme

### *Medical surveillance*

In providing and maintaining a working environment that is safe and without risk to the health of its employees, a medical surveillance





programme was developed to prepare the RSR to develop guidelines and the medical surveillance regime in the organisation.

### Procedures

#### *Emergency preparedness procedure*

Emergency simulation exercises were conducted across the RSR's offices to test the effectiveness of the emergency plans and procedures. The emergency plans and procedures were found to be effective and were adhered to during simulations. The simulations considered the COVID-19 regulations such as social distancing.

## OHS governance structures

### OHS Committee

The RSR has established an Occupational Health and Safety Committee at the Head Office and the regional offices.

The purpose of the Occupational Health and Safety Committee is to initiate, develop, promote, maintain, and review measures to ensure the health and safety of employees at the workplace. The Committee further ensures that health and safety matters are discussed at the correct level and escalated through proper channels to the management of the RSR for implementation of corrective measures. The Committee held meetings as follows:

Rsr office	Planned meetings	Meetings held
Head Office	4	5
Eastern Region	4	4
Central Region	4	4
Coastal Region	4	4

To enhance and strengthen governance, the RSR Executives and Heads are responsible and accountable for the management of OHS risks in their respective areas of responsibility and appointed the appointees in terms of the OHS Act as 16.2. The functions of Health and Safety representatives, Fire Marshals, First Aiders and Evacuation Marshals were added to their job profiles as part of their performance agreements to ensure their enhanced participation, monitoring and implementation into the OHS activities. OHS Committees were convened during the period under review in line with the TOR of the Committee.



## Compliance audits

To guide operational excellence, compliance audits were conducted at all RSR administrative offices to assess the level of compliance to minimum requirements of the Occupational Health and Safety Act No. 85 of 1993, as amended. Table 2 below, presents the level of compliance for all RSR offices over a period of three years.

Level of compliance		
2018/19	2019/20	2020/21
90%	94%	94%

Continuous monitoring is conducted to ensure full compliance with the Occupational Health and Safety Act.

## Company secretary

The primary purpose of the role of the Company Secretary is to ensure that the RSR complies with standard financial and legal practices and maintains high standards of corporate governance. The role also ensures and manages corporate governance within the Board and the RSR in accordance with legislative prescripts and best practice. Furthermore, this role proactively manages the required stakeholder relations to ensure the effective functioning of the Board of Directors and its committees and ensures compliance with good corporate governance and other legislative and statutory requirements.

## Social responsibility

### Mandela Day

In commemoration of Mandela Day, the RSR supported an initiative which was led by the Deputy Minister of Transport, Ms Dikeledi Magadzi. The initiative saw the RSR donate groceries to a church congregation

in Polokwane, Limpopo. The initiative came at a time when various South Africans were extremely vulnerable due to the impact of the pandemic. The organisation, therefore, deemed it prudent to support the initiative that backed up one of the Mandela Day focal areas i.e., Food Security, by donating grocery hampers and other essentials.

On a separate occasion, the RSR donated 40 handsets, over 1400 sanitary towels and 50 scientific calculators to Ikamva Youth, a non-profit (NPO) organisation with operations in Gauteng, Western Cape, North-West, and Eastern Cape. The main aim of the NPO, which was co-created with learners and volunteer tutors, consist of after school tutoring complemented by psycho-social support and career guidance. Due to the COVID-19 pandemic, Ikamva Youth had to adapt their approach from in person tutoring to remote tutoring. Some learners lost out as they do not have access to mobile devices where they can access remote support. The RSR's donation has made online learning possible for matriculants associated with Ikamva Youth.

## Audit and risk committee report

We are pleased to present our report for the financial year ended 31 March 2021.

### Audit & Risk Committee Responsibility

The Audit & Risk Committee has complied with its responsibilities arising from Section 51(1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit & Risk Committee also adopted appropriate formal terms of reference as its Audit & Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

## The Effectiveness of Internal Control

The system of controls within the RSR is designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital are properly managed in line with the PFMA and the protocol on corporate governance. This is achieved by means of a risk-based internal audit plan, to assess the adequacy and effectiveness of controls mitigating the risks, as well as the Audit and Risk Committee monitoring of the implementation of corrective actions.

From the Committee's review of the Internal Audit reports presented during the 2020/21 financial year, the 2020/21 Audit Report on the review of the Annual Financial Statements and the Management Report from the Auditor-General of South Africa (AGSA), it can be concluded that the system of internal control as applied over financial and non-financial matters, enterprise risk management and governance systems are

generally satisfactory. However, improvements are required within ICT functions. The Committee has noted management's commitment to address the identified control weaknesses and welcomes the adoption of the digital transformation strategy and will be monitoring management's progress in resolving these aforementioned issues on a regular basis.

The Committee reviewed and approved the Internal Audit Charter for the year under review. The Committee reviewed and approved the three-year rolling plan, including the annual internal audit plan for the 2020/21 financial period.

The approved 2020/21 internal audit plan consisted of twenty-five (25) planned and two (2) ad hoc audit reviews, with an additional ad hoc audit review added during the period, bringing the total number of internal audit reviews to twenty-eight (28). Twenty-five (25) of these audit reviews were completed by 31 March 2021.



The following were areas of concern:

- IT Security,
- Application Controls

### **THE EFFECTIVENESS OF THE INTERNAL AUDIT FUNCTION**

The Committee evaluated the independence, effectiveness and performance of the internal audit function and compliance with its mandate.

The quality of in-year management quarterly reports submitted in terms of the PFMA.

The Committee is satisfied that the RSR has established appropriate financial reporting procedures for quarterly reporting. Consequently, the Committee is satisfied with the quality of the quarterly reports submitted to the Executive Authority.

### **Evaluation of Financial Statements**

The ARC has:

- Performed a high-level review of the 2020/21 unaudited financial statements with due consideration of the independent assurance provided by IA as well as the assurance provided by Management;
- Reviewed the unaudited information on predetermined objectives with due consideration of the independent assurance provided by IA as well as the assurance provided by Management;
- Reviewed changes in accounting policies and practices;
- Reviewed the Auditor-General South Africa (AGSA) audit and management reports, with due consideration of the responses provided by Management;
- Reviewed the audited financial statements as well as the information on predetermined objectives to be included in the annual report

for any significant adjustments resulting from the audit report and reported to the Accounting Authority; and

- Reviewed compliance with legal and regulatory provisions.

### **External Auditor's Report**

The Committee has reviewed the progress made by Management in the implementation plan of the external audit issues raised in the prior year

The Committee has on a quarterly basis reviewed the RSR's implementation plan of audit issues raised in the prior year and it is satisfied that the matters have been adequately resolved. The Committee further met with the AGSA to ensure that there are no unresolved issues that emanated from the regulatory audit. Corrective actions on the detailed findings raised by the AGSA will continue to be monitored by the Committee on a quarterly basis. The Committee concurs and accepts the conclusions of the AGSA on the Annual Financial Statements and believes that the audited Annual Financial Statements must be accepted and read together with the report of the AGSA.

### **Appreciation**

The Committee wishes to acknowledge the dedication and work performed by the Acting Chief Executive Officer, Management and Officials of the RSR. The Committee wishes to express its appreciation to Management, the AGSA and the Internal Audit Unit for the co-operation and information they have provided to enable the Committee to discharge its responsibilities.



Ms Margaret Phiri CA(SA)

**CHAIRPERSON: AUDIT AND RISK COMMITTEE**

## Broad-based black economic empowerment compliance performance information

The following table has been completed in accordance with the compliance to the Board-Based Black Economic Empowerment (B-BBEE) requirements of section 13(g)(1) of the B-BBEE Act of 2013 and as determined by the Department of Trade and Industry.

Name of sphere of government / Public entity / Organ of state:	The Railway Safety Regulator
Physical address:	Building 4, Waterfall Point Office Park, Cnr. Waterfall and Woodmead Drive, Waterfall City, Midrand, 1685
Type of sphere of government / Public entity / Organ of state:	Regulation
Organisation industry / Sector	Transportation sector

<b>Has the sphere of government / Public entity / Organ of state applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:</b>		
<b>Criteria</b>	<b>RSR</b>	<b>Relevant Annexure</b>
Determining qualification criteria for the issuing of licences, concessions, or other authorisations in respect of economic activity in terms of any law	<b>No</b>	The RSR has not set any qualification criteria for the issuing of operator permits
Developing and implementing a preferential procurement policy	<b>No</b>	No criteria applied during the year
Determining qualification criteria for the sale of state-owned enterprises	<b>No</b>	The RSR is a fully owned entity of the National Department of Transport
Developing criteria for entering into partnerships with the private sector	<b>No</b>	No criteria have been set by the RSR
Determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE	<b>No</b>	No incentives, grants and investment schemes were awarded by the RSR during the year

Approved by:



Mr Boy Johannes Nobunga  
**CHAIRPERSON: RSR BOARD**







# Part D:

## Human resource management



# Introduction

The strategic role of the Human Resources function which contributes to the overall organisational strategic objectives, aided by its operational capabilities to facilitate the acquisition and retention of human capital through the provision of competitive remuneration and benefits and the implementation of sound employee relations and wellness contributes to the execution of the RSR's mandate.

## **RSR Organisational Structure**

In the year under review, positions were added to the approved organisational structure from the Office of the COO; the Legal Services and Company Secretary departments were combined to form the Legal Services and Board Governance department. The COVID-19 pandemic posed limitations on the RSR's operations as a result some positions could not be filled due to the realignment of the financial priorities of the RSR.

## **Institutional Governance**

The improvement of efficiencies and the promotion of good governance has been key during the period under review. The amendment of the Conditions of Service and Acting Allowance Policy was undertaken to align with the evolution of the employment conditions and to address the needs of the organisation. Continuous engagement and communication with employees with respect to policy issues and amendments to the labour legislation and the impact thereof has been undertaken through the various changes and the awareness sessions on a quarterly basis throughout the RSR. A new Bereavement Policy was developed and approved after the Human Resources department saw a need to regulate the process of bereavement at the RSR and to have a coordinated effort in honouring colleagues who have past on and comforting their next of kin. Several standard operating procedures (SOP's) were developed to create a standardised approach to implementing policies.

## **Organisational Climate Survey**

Organisational culture is the distinctive norms, beliefs, principles, and ways of behaving that combine to give the organisation its distinct character or the system of shared meaning held by members, distinguishing the organisation from other organisations. This refers to the intentional or unintentional practices and behaviours that set out the organisation's identity.

The survey indicates that the RSR's organisational culture is characterised by two strong types of cultures namely collaborate and hierarchy. The collaborate culture is one that has a working environment that is friendly. The people have a lot in common, and the leaders are seen as mentors. The organisation values loyalty and tradition with great involvement. The organisation emphasises long-term human resource development and promotes teamwork, participation, and consensus.

The hierarchy culture is one characterised by a formalised and structured workplace. Procedures direct

what people do, and the leaders are proud of efficiency-based coordination for the organisation. It focuses on keeping the organisation functioning smoothly and formal rules and policies keep the organisation together. The long-term goals are stability and results, paired with efficient and smooth execution of tasks. The survey measured the organisations performance, innovation, agility, and engagement variables.

The results of the survey indicate that there is no mean score below two, this means that the organisation is doing well in the five variables that have been measured. It is also encouraging to note that there is no variable that needs attention from management. A total of 60 per cent of the participants have indicated that the employee engagement levels are relatively good and this is backed up by the staff members' responses and participation in the survey. During the 2021/22 FY, additional variables such as management credibility, trust, procedural and distributive justice will be added and tested by means of a survey to establish whether there has been an improvement from the previous financial year's results.

## **Talent Management**

In the RSR's quest to achieve the strategic objectives of the organisation as well as the contribution to the government priorities, the focus on investment in capabilities of all people, which includes the focus of managing the organisational resources in support of the achievement of the vision and mission in line with the organisational values. HR is responsible for driving an appropriate Talent Management Model with the management teams, ensuring that the individual but also collective competencies of the employees at all levels align with the Organisational Competencies required to deliver on the business strategy. The RSR

Talent Management Strategy was approved for implementation in the 2021/22 FY.

The RSR will approach talent management through the Integrated Talent Management process which entails focusing on recruiting, development, performance management, compensation, development planning, and learning. The strategic objective of using the integrated talent management approach is to strategically place the Human Resources function in an efficient and effective operating trajectory and further create an integrated system (HR System) for managing people which will assist the organisation to respond to business needs rapidly and effectively.

The following HR processes are deemed critical in the implementation of the integrated talent strategy:

- Talent acquisition
- Career management
- Total rewards
- Capability and competence management

For effective implementation of a talent management regime, the RSR will measure its implementation by monitoring the critical success factors namely,

- Retention of key /critical skills
- Capable and competent managers
- Effective performance management
- Career pathing and succession planning
- Formalise talent acquisition efforts
- Accessibility and relevance of training and development initiatives
- Relevant HR policies and procedures
- Implement an effective HR Model
- Rewards and recognition philosophy



## Human Resource Administration Management

The Human Resources department has concluded the case of the former CEO that related to the payment of irregular expenditures that were undertaken during his tenure as CEO of the Regulator. The RSR has terminated a senior management contract due to a case of unallocated assets. The matter was taken through a disciplinary process that resulted in the dismissal of the Senior Manager in the ICT department.

## Human resource oversight statistics

### Personnel cost by programme/ activity/ objective

Programme/ activity/ objective	Total expenditure for the entity (R)	Personnel expenditure (R)	Personnel expenditure as a % of total expenditure	No. of employees	"Average personnel cost per employee (R)
OCEO	1,604,533	1,167,121	0,5%	2	583,561
<b>COO - HO</b>	7,351,105	3,729,755	1,4%	2	1,864,878
· <i>ICT and Systems Management</i>	19,434,111	9,927,795	3,9%	13	763,677
· <i>Safety Permit Management</i>	16,710,021	16,673,482	6,5%	13	1,282,576
· <i>Safety Management</i>	14,792,543	13,026,331	5,1%	14	930,452
· <i>Coastal Region</i>	9,863,765	9,572,932	3,7%	10	957,293
· <i>Central Region</i>	19,206,138	19,018,051	7,4%	18	1,056,558
· <i>Eastern Region</i>	11,036,270	10,979,216	4,3%	12	914,935
Legal Services & Board Governance	8,452,945	4,133,117	1,6%	5	826,623
Internal Audit	4,394,222	4,268,713	1,7%	6	711,452
Risk and Strategy Management	11,394,264	10,241,221	4,0%	11	931,020
Finance	104,486,621	22,447,389	8,7%	37	606,686
Human Resources	12,298,874	7,806,820	3,0%	18	433,712
Media and Communications	16,206,792	9,881,116	3,8%	11	898,283
<b>TOTAL</b>	<b>257,232,204</b>	<b>142,873,059</b>	<b>55,5%</b>	<b>172</b>	<b>830,657</b>

### Personnel cost by salary band

Level	Personnel expenditure (R )	% of personnel cost by salary band to total personnel cost	No. of employees	Average personnel cost per employee (R )
Top Management	508,532	0,4%	1	508,532
Senior Management	21,531,679	15,1%	11	1,957,425
Professional qualified	80,719,808	56,5%	74	1,090,808
Skilled	35,511,446	24,9%	58	612,266
Semi-skilled	4,601,594	3,2%	28	164,343
Unskilled	-	-	-	-
<b>TOTAL</b>	<b>142,873,059</b>	<b>100%</b>	<b>172</b>	<b>830,657</b>

### Performance Rewards

Level	Performance reward amount (R )	Personnel expenditure (R )	% of performance rewards to total personnel expenditure
Top Management	-	508,532*	0,0%
Senior Management	1,256,285	21,531,679	5,8%
Professional qualified	3,831,644	80,719,808	4,7%
Skilled	1,278,324	35,511,446	3,6%
Semi-skilled	130,103	4,601,594	2,8%
Unskilled	-	-	-
<b>TOTAL</b>	<b>6,496,356</b>	<b>142,873,059</b>	<b>17,0%</b>

\*Leave pay out for NAS Poya

### 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
Internships	110,125	0	0,0%	9	-
Staff training	113,649,650	678,745	0,6%	113	6,007
Bursaries	7,129,694	140,189	2,0%	12	11,682
<b>TOTAL</b>	<b>120,889,469</b>	<b>818,934</b>	<b>0,7%</b>	<b>134</b>	<b>6,111</b>

The training costs reflect training undertaken by employees as part of the approved RSR Training Plan. The Training Plan is a culmination of the employees' Personnel Development Plans (PDP) as captured in the performance agreements of all the employees.

## Employment and vacancies

Department	2020/21 No. of employee	2020/21 Approved posts	2020/21 Vacancies	% Of vacancies
OCEO	2	2	1	50%
Internal Audit	6	6	0	0%
Legal Services and Board Governance	5	5	1*	20%
<b>COO - HO</b>	2	3	1	33%
· <i>Central Region</i>	18	18	0	0%
· <i>Coastal Region</i>	10	14	4	29%
· <i>Eastern Region</i>	12	13	1	8%
· <i>Safety Permit Management</i>	13	14	1	7%
· <i>ICT and Systems Management</i>	13	15	4	27%
· <i>Safety Management</i>	14	14	1**	7%
Finance	37	38	3	8%
Human Resources	9	11	3	27%
Risk and Strategy Management	11	12	1	8%
Media and Communications	11	12	1	8%
Interns	9	10	0	0%
<b>TOTAL</b>	<b>172</b>	<b>187</b>	<b>22</b>	<b>12%</b>

\* One Legal Adviser resigned

\*\* Deceased employee

The post from the OCEO has been factored in as a result of the payment and recouping of debt emanating from the former CEO's court case and has been processed through payroll as it was part of his earnings.

## Employment changes

The employment changes reflect employee movements during the period under review and the appointments made include 9 interns as at 31 March 2021.

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	0	0	0	0
Senior Management	10	1	2	9
Professional qualified	64	10	5	69
Skilled	57	0	1	56
Semi-skilled	16	13	0	29
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>147</b>	<b>24</b>	<b>8</b>	<b>163</b>

## Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Resigned	2	25,0%
Retired	1	12,5%
Discharged	1	12,5%
Deceased	1	13%
Redundancy	0	0,0%
End of Contract	2	25,0%
Termination	1	12,5%

The overall number of terminations may be attributed to the COVID-19 pandemic which had a negative impact on the demand and supply in the job market. There had been fewer opportunities in the country that are often attributed to a higher turnover against the organisation.

## Labour Relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal Warning	4
Written Warning	8
Final Written warning	1
Dismissal	1

## Equity Target and Employment Equity Status

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	0	0	0	0	0	0
Senior Management	6	5	0	1	0	0	0	1
Professional qualified	37	38	2	3	0	2	3	4
Skilled	21	20	0	1	0	1	0	1
Semi-skilled	10	5	0	1	0	1	0	0
Unskilled	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>74</b>	<b>69</b>	<b>2</b>	<b>6</b>	<b>0</b>	<b>4</b>	<b>3</b>	<b>6</b>

The full implementation of the Employment Equity Plan should be achieved by 31 May 2024. The variance between the current and the target figure is due to the implementation of the EE Plan.



Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	3	4	0	0	0	0	0	0
Professional qualified	23	21	3	3	0	0	0	1
Skilled	35	34	1	2	0	1	0	2
Semi-skilled	17	11	1	1	0	0	1	1
Unskilled	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>78</b>	<b>70</b>	<b>5</b>	<b>6</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>4</b>

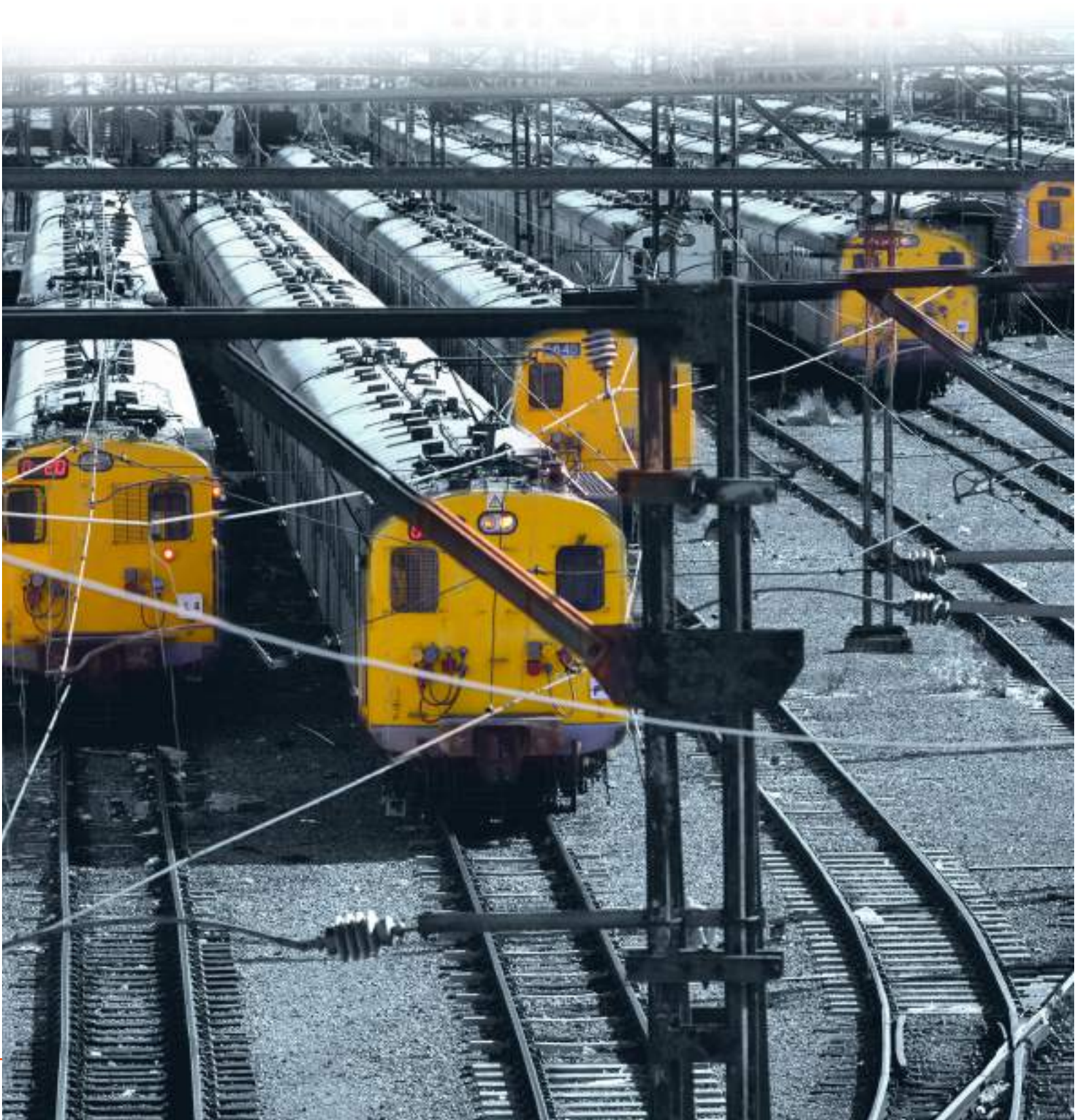
The full implementation of the Employment Equity Plan should be achieved by 31 May 2024. The variance between the current and the target figure is due to the implementation of the EE Plan.

Levels	Disabled staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	0	0	0
Skilled	0	0	1	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>

The full implementation of the Employment Equity Plan should be achieved by 31 May 2024. The variance between the current and the target figure is due to the implementation of the EE Plan.

# Part E:

## Financial information



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## Board members' responsibilities and approval

The members of the Board of the RSR are required by the Public Finance Management Act, 1 of 1999, to maintain adequate accounting records. The Board is also responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Board to ensure that the Annual Financial Statements fairly present the state of affairs of the RSR, the results of its operations and cash flows for the period ended 31 March 2021.

External Auditors had unrestricted access to all the financial records and related data to express an independent opinion on the Annual Financial Statements.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice, including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgement and estimates.

The Board acknowledge that they are ultimately responsible for the system of internal financial control established by the RSR, and place considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, they set standards for internal control to reduce the risk of misstatement or errors in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout

the RSR. All RSR employees are required to maintain the highest ethical standards to ensure the RSR's business is conducted in a manner that in all reasonable circumstances, is above reproach.

The focus of risk management in the RSR is, therefore, on identifying, assessing, managing and monitoring all known forms of risk across the RSR. While operating risk cannot be fully eliminated, the RSR endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board is of the opinion, based on the assurance given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or errors.

The Board has reviewed and approved the budget of the RSR for the 2021/22 financial year and in light of this review and the current financial position, are satisfied that the RSR has access to adequate resources to continue in operational existence for the foreseeable future.

Though the Board is primarily responsible for the financial affairs of the RSR, they are supported by the RSR's Internal and External Auditors.

The Annual Financial Statement on Page 102 to 143, which have been prepared on the going concern basis, were approved by the Board of Directors on 26 July 2021 and were signed on its behalf by:



Ms Tshepo Kgare  
**ACTING CHIEF EXECUTIVE OFFICER**



Mr Boy Johannes Nobunga  
**CHAIRPERSON: RSR BOARD**



# Auditor-General Report

## Report of the auditor-general to Parliament on the Railway Safety Regulator

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Railway Safety Regulator set out on pages 102 to 143, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Railway Safety Regulator as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

#### Basis for opinion

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

#### Responsibilities of the accounting authority for the financial statements

6. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the public 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 public entity or to cease operations, or has no realistic alternative but to do so.

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

8. 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.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

# Auditor-General Report

## Report on the audit of the annual performance report

### Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected strategic outcome presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic outcome presented in the public entity's annual performance report for the year ended 31 March 2021:

Strategic Outcome	Pages in the annual performance report
Strategic Outcome 1 – Railways are safer	32 – 33

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for this strategic outcome:
  - Strategic Outcome 1 - Railways are safer

### Other matter

15. I draw attention to the matter below.

### Achievement of planned targets

16. Refer to the annual performance report on pages 32 to 35 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

# Auditor-General Report

## Report on the audit of compliance with legislation

### Introduction and scope

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

## Other information

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected strategic outcomes presented in the annual performance report that have been specifically reported in this auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected strategic outcomes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
22. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

## Internal control deficiencies

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

## Other reports

24. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
25. The audit committee has commissioned an investigation by the National Treasury on reported allegations in terms of Treasury Regulations 27.1.9. The investigation is still in progress at the date of this report.

*Auditor General*

Pretoria

31 July 2021



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# Annexure – Auditor-general’s responsibility for the audit

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

## Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in 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 public entity’s internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
  - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Railway Safety Regulator 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 public entity to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

## Communication with those charged with governance

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



# Annual Financial Statements

## Statement of financial position at 31 March 2021

Figures in Rand	Note(s)	2021	2020
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	3	6,244,042	7,666,303
Receivables from non-exchange transactions	4	800,000	4,270,000
Cash and cash equivalents	5	121,067,656	65,053,011
		<b>128,111,698</b>	<b>76,989,314</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	29,599,765	30,081,725
Intangible assets	7	1,588,765	2,509,166
		<b>31,188,530</b>	<b>32,590,891</b>
<b>Total Assets</b>		<b>159,300,228</b>	<b>109,580,205</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	8	41,432,446	44,190,200
Provisions	9	55,312,001	5,447,518
		<b>96,744,447</b>	<b>49,637,718</b>
<b>Total Liabilities</b>		<b>96,744,447</b>	<b>49,637,718</b>
<b>Net Assets</b>		<b>62,555,781</b>	<b>59,942,487</b>
Accumulated surplus		62,555,781	59,942,487

# Statement of financial performance for the year ended 31 March 2021

Figures in Rand	Note(s)	2021	2020
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Safety permit fees	10	170,943,602	170,560,765
Other revenue	12	-	606,540
Interest received	11	5,005,329	8,160,496
<b>Total revenue from exchange transactions</b>		<b>175,948,931</b>	<b>179,327,801</b>
<b>Revenue from non-exchange transactions</b>			
Administration grant		82,045,000	63,522,000
Penalties		800,000	770,000
Other income		1,051,567	214,755
<b>Total revenue from non-exchange transactions</b>		<b>83,896,567</b>	<b>64,506,755</b>
<b>Total revenue</b>		<b>259,845,498</b>	<b>243,834,556</b>
<b>Expenditure</b>			
Employee related costs	13	(142,873,059)	(133,966,493)
Transfer payments - surplus funds	9	(49,644,848)	-
Depreciation, amortisation and impairment		(5,702,393)	(7,390,432)
Debt impairment and write - off	14	(603,900)	(1,838,877)
Finance costs		-	(403)
Loss on disposal of assets		(320,556)	(297,203)
General expenses	15	(58,087,448)	(58,888,096)
<b>Total expenditure</b>		<b>(257,232,204)</b>	<b>(202,381,504)</b>
<b>Surplus for the year</b>		<b>2,613,294</b>	<b>41,453,052</b>

## Statement of changes in net assets for the year ended 31 March 2021

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 April 2019</b>	<b>18,489,435</b>	<b>18,489,435</b>
Surplus for the year	41,453,052	41,453,052
<b>Total changes</b>	<b>41,453,052</b>	<b>41,453,052</b>
<b>Balance at 01 April 2020</b>	<b>59,942,487</b>	<b>59,942,487</b>
Surplus for the year	2,613,294	2,613,294
<b>Total changes</b>	<b>2,613,294</b>	<b>2,613,294</b>
<b>Balance at 31 March 2021</b>	<b>62,555,781</b>	<b>62,555,781</b>

# Cash flow statement for the year ended 31 March 2021

Figures in Rand	Note(s)	2021	2020
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		175,684,858	170,251,535
Grants		82,045,000	63,522,000
Interest income		5,005,329	8,160,496
		262,735,187	241,934,031
<b>Payments</b>			
Employee costs		(142,319,477)	(134,927,876)
Supplier		(59,849,367)	(62,911,533)
Finance costs		-	(403)
		(202,168,844)	(197,839,812)
<b>Net cash flows from operating activities</b>	16	<b>60,566,343</b>	<b>44,094,219</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(4,239,286)	(21,421,891)
Proceeds from sale of property, plant and equipment	6	68,888	245,131
Purchase of other intangible assets	7	(381,300)	(502,596)
<b>Net cash flows from investing activities</b>		<b>(4,551,698)</b>	<b>(21,679,356)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		-	(15,259)
<b>Net increase in cash and cash equivalents</b>		<b>56,014,645</b>	<b>22,399,604</b>
Cash and cash equivalents at the beginning of the year		65,053,011	42,653,407
<b>Cash and cash equivalents at the end of the year</b>	5	<b>121,067,656</b>	<b>65,053,011</b>



# Statement of comparison of budget and actual amounts for the year ended 31 March 2021

## Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of financial performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Safety permit fees	171,694,319	(14,842,621)	<b>156,851,698</b>	170,623,281	<b>13,771,583</b>	27
Application fees	-	-	-	320,321	<b>320,321</b>	27
Interest received - investment	4,057,735	-	<b>4,057,735</b>	5,005,329	<b>947,594</b>	27
<b>Total revenue from exchange transactions</b>	<b>175,752,054</b>	<b>(14,842,621)</b>	<b>160,909,433</b>	<b>175,948,931</b>	<b>15,039,498</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Administration grant	67,017,000	12,500,000	<b>79,517,000</b>	82,045,000	<b>2,528,000</b>	27
Penalties	-	-	-	800,000	<b>800,000</b>	27
Other Income	-	-	-	1,051,567	<b>1,051,567</b>	27
<b>Total revenue from non-exchange transactions</b>	<b>67,017,000</b>	<b>12,500,000</b>	<b>79,517,000</b>	<b>83,896,567</b>	<b>4,379,567</b>	
<b>Total revenue</b>	<b>242,769,054</b>	<b>(2,342,621)</b>	<b>240,426,433</b>	<b>259,845,498</b>	<b>19,419,065</b>	
<b>Expenditure</b>						
Employee cost	(155,667,807)	7,242,621	<b>(148,425,186)</b>	(142,873,059)	<b>5,552,127</b>	
Non - executive directors	(3,170,485)	-	<b>(3,170,485)</b>	(2,519,063)	<b>651,422</b>	
Transfer payment -surplus fund	-	-	-	(49,644,848)	<b>(49,644,848)</b>	27
Depreciation and amortisation	-	-	-	(5,702,393)	<b>(5,702,393)</b>	27
Loss on disposal of assets	-	-	-	(320,556)	<b>(320,556)</b>	
Office rental	(24,783,576)	12,438,305	<b>(12,345,271)</b>	(14,991,276)	<b>(2,646,005)</b>	27
Debt impairment and write - off	-	-	-	(603,900)	<b>(603,900)</b>	27
Repairs and maintenance	(733,200)	197,676	<b>(535,524)</b>	(266,038)	<b>269,486</b>	
External audit fee	(2,815,494)	-	<b>(2,815,494)</b>	(2,125,129)	<b>690,365</b>	
Consulting and professional fees	(13,375,309)	(21,026,613)	<b>(34,401,922)</b>	(16,881,561)	<b>17,520,361</b>	27
General expenses	(37,823,183)	(10,204,856)	<b>(48,028,039)</b>	(21,304,381)	<b>26,723,658</b>	
Capital expenditure	(4,400,000)	(9,328,901)	<b>(13,728,901)</b>	(4,620,588)	<b>9,108,313</b>	27
<b>Total expenditure</b>	<b>(242,769,054)</b>	<b>(20,681,768)</b>	<b>(263,450,822)</b>	<b>(261,852,792)</b>	<b>1,598,030</b>	
<b>Budget Surplus</b>	-	<b>(23,024,389)</b>	<b>(23,024,389)</b>	<b>(2,007,294)</b>	<b>21,017,095</b>	
<b>Actual amount on comparable basis as presented in the budget and actual comparative statement</b>	-	<b>(23,024,389)</b>	<b>(23,024,389)</b>	<b>(2,007,294)</b>	<b>21,017,095</b>	
<b>Reconciliation Basis difference</b>						
Capital expenditure				4,620,588		
<b>Actual amount in the statement of financial performance</b>				<b>2,613,294</b>		

# Accounting Policies

## 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice, issued by the Accounting Standards Board in accordance with Section 55 of the Public Finance Management Act No. 01 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. They are presented in South African Rands.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except when offsetting is either required or permitted by a Standard of GRAP.

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

### Comparative information

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

### Significant accounting judgements and estimates

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts presented in the Annual Financial Statements and related disclosures. Use of available information and application of judgement is inherent in the formation of estimates. Significant judgements include the following:

#### Budget variance

Variance of 10 per cent or more between budget and actual amounts is regarded as material. All material differences are explained.

### Useful life assessment

In determining the useful life and residual values of each property, plant and equipment and intangible assets, management took the nature and condition of each asset type and the usage of assets into consideration.

The accounting policies are consistent with the previous period.

#### 1.1 Property, plant and equipment

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

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

- It is probable that future economic benefits or service potential associated with the item will flow to the RSR; 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 to arrive at the cost.

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

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

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

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

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.

# Accounting Policies

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. The residual value will be applied if there is an intention to sell the asset at the end of its useful life.

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	10 - 20 years
Motor vehicles	Straight line	12 - 15 years
Office equipment	Straight line	6 - 20 years
IT equipment	Straight line	6 - 12 years
Leasehold improvements	Straight line	5 - 10 years
Leased assets	Straight line	3 - 6 years

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 RSR. 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.

At each reporting date, the RSR assesses whether there is any indication that its 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 RSR revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate or an error if it is deemed that the useful lives were assessed incorrectly.

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.

Proceeds from the sale of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The RSR separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the Financial Statements.

## 1.2 Intangible assets

An asset is identifiable if it 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 RSR or from other rights and obligations.

A binding arrangement describes contracts and other arrangements that confer similar rights and obligations the parties as if it were in the form of a contract.

# Accounting Policies

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 RSR; and
- The cost or fair value of the asset can be measured reliably.

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	3 - 8 years

## 1.3 Financial instruments

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

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

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

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

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

A financial asset is:

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

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



# Accounting Policies

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

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

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

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

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

## Initial recognition

The RSR recognises a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The RSR recognises financial assets using trade date accounting.

## Initial measurement of financial assets and financial liabilities

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

## Subsequent measurement of financial assets and financial liabilities

The RSR measures all financial assets and financial liabilities after initial recognition at amortised cost. All financial assets measured at amortised cost, or cost, are subject to an impairment review.

## Gains and losses

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

## Impairment and uncollectibility of financial assets

The RSR assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

## Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

## 1.4 Statutory receivables

### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

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

# Accounting Policies

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

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

## Recognition

The RSR recognises statutory receivables as follows:

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

## Initial measurement

The RSR initially measures statutory receivables at their transaction amount.

## Subsequent measurement

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

- Interest or other charges that may have accrued on the receivable (where applicable);
- Impairment losses; and
- Amounts derecognised.

## Impairment losses

The property plant and equipment amount was based on the fair value less cost to sell. The fair value less cost to sell was zero due to the fact that upon requesting quotations, there were no interested buyers.

## Derecognition

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

- The rights to the cash flows from the receivable are settled, expire or are waived;

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

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

## 1.5 Taxation

### Income tax

The RSR has obtained income tax exemption from the Commissioner of the South African Revenue Services under Section 10(i) (cA) (1) of the Income Tax Act, 1962 as amended.

### Value Added Tax

The RSR is exempt from the Value Added Tax.

## 1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the RSR assesses the classification of each element separately.

### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of

# Accounting Policies

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 RSR's incremental borrowing rate if it is impractical to determine 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. The RSR's incremental borrowing rate is the prime interest rate.

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

The present value of the lease is considered to amount to "substantially all of the fair value" when it exceeds 95 per cent of the fair value of the leased assets.

## Operating leases - lessee

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

### 1.7 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. A commercial return means positive cash flows are expected to be significantly higher than the cost of the asset.

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).

The 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.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. Useful life is either:

- The period of time over which an asset is expected to be used by the RSR; or
- The number of production or similar units expected to be obtained from the asset by the RSR.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The RSR assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the RSR estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the RSR also tests a cash-generating intangible asset with an indefinite useful life, or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.

This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

RSR does not have cash - generating assets.

## Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the RSR estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the RSR applies the appropriate discount rate to those future cash flows.

### 1.8 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

# Accounting Policies

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

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

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

- The period of time over which an asset is expected to be used by the RSR; or
- The number of production or similar units expected to be obtained from the asset by the RSR.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

At each reporting date, the RSR assesses whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the RSR estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the RSR also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

## Value in use

The value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

## Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the RSR recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

## Reversal of an impairment loss

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

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

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



# Accounting Policies

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

## 1.9 Share capital / contributed capital

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

## 1.10 Employee benefits

### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 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) for which the compensation for the absences is due to be settled within 12 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 12 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 RSR during a reporting period, the RSR 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 RSR recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- As an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense because the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The RSR measure the expected cost of accumulating compensated absences as the

additional amount that the RSR expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The RSR recognise the expected cost of bonus, incentive and performance related payments when the RSR 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 RSR has no realistic alternative but to make the payments.

## 1.11 Provisions and contingencies

Provisions are recognised when:

- The RSR has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the RSR settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 18.

Where a fee is charged and the RSR considers that an outflow of economic resources is probable, the RSR recognises the obligation at the higher of:

- The amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- The amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

# Accounting Policies

## 1.12 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 RSR 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.

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

### Measurement

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

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

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

### Accounting for adjustments to revenue

The adjustments to revenue charged in terms of legislation or similar means resulting from the completion of a review, appeal or objection process are accounted for in terms of IGRAP 20. The impact of the IGRAP 20 has been assessed in the current and previous financial year and no material adjustments were identified.

### Revenue comprises of:

#### Safety permit application and permit fee

Revenue arising from permit fees as published in the Government Gazette by the Minister of Transport on an annual basis is recognised on an accrual basis, when economic benefit is probable. This is presented in the statement of financial performance.

## Interest received

Interest received comprises interest charged on operator's late payments and favourable bank balances. Interest income is recognised using the effective interest rate.

## Technology audits

The RSR conducts technology audits and recovers costs in accordance with section 17(1) (bB) of the National Railway Safety Regulator Act No. 16 of 2002 as amended. The RSR does not charge for technology audits as the current legislation is being reviewed.

When the outcome of the technology review transaction can be estimated reliably, revenue will be recognised by reference to the stage of completion of the transaction at reporting date. Stage of completion will be determined using the life cycle phases as indicated in the published Gazette.

## 1.13 Revenue from non-exchange transactions

Non-exchange transaction are defined as transactions where RSR receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transaction is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount. Revenue from administration grant is considered to be revenue from non-exchange transactions.

Revenue from non-exchange transactions is recognised when there is reasonable assurance that the amount will be received and the value thereof can be reliably measured.

## Fines and penalties

Revenue from fines and penalties is recognised when:

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

This comprise of revenue arising from penalties charged as a result of failure by operators to comply with any provisions of the National Railway Safety Regulator Act No. 16 of 2002 as amended, the regulations and the standards that inhibit or prevent the Regulator's ability to perform its mandate.

# Accounting Policies

## Unconditional grant

Government grants are recognised as revenue when:

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

The RSR recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. Transferred assets are measured at their fair value as at the date of acquisition.

To the extent that an asset has not been recognised, a deferred income will be recognised as a liability. The deferred income will be transferred to revenue as and when the conditions attached to the grant are satisfied.

## 1.14 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 an expense in the period in which they are incurred.

## 1.15 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.

## 1.16 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, 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 2 of 2019/20 effective from 17 May 2019 which was issued in terms of sections 76(2)(e) to 76(4) (a) of the PFMA applies.

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 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.

# Accounting Policies

## 1.17 Budget information

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

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

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 01/04/2020 to 31/03/2021.

The Annual Financial Statements and the budget are not 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.

## 1.18 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.

Executive Management are those persons responsible for planning, directing and controlling the activities of the RSR, including those charged with the governance of the RSR 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 management in their dealings with the RSR.

The RSR 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 that it is reasonable to expect the RSR to have adopted when dealing with that individual entity or person in the same circumstances. The terms and conditions must also be within the normal operating parameters established by that reporting entity's legal mandate.

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



# Notes to the Financial Statements

Figures in Rand	2021	2020
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## 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 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards</li> </ul>	01 April 2021	Unlikely there will be a material impact

## 3. Receivables from exchange transactions

Trade debtors	1,390,869	1,474,686
Prepayments	1,318,013	2,320,603
Deposits	3,973,022	4,005,522
Staff debts	30,438	25,907
Impairment allowance	(468,300)	(160,415)
	<b>6,244,042</b>	<b>7,666,303</b>

### Statutory receivables included in receivables from exchange transactions above are as follows:

Safety permit fees	863,863	1,187,328
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### Other non-financial asset receivables included in receivables from exchange transactions above are as follows:

Prepayments	1,318,013	2,320,603
Deposits	3,973,022	4,005,522
Staff debt	30,438	25,907
Other debtors	527,006	287,358
Impairment allowance - non statutory receivables	(468,300)	(160,415)
	<b>5,380,179</b>	<b>6,478,975</b>

<b>Total receivables from exchange transactions</b>	<b>6,244,042</b>	<b>7,666,303</b>
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# Notes to the Financial Statements

Figures in Rand	2021	2020
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## Statutory receivables general information

### Transaction(s) arising from statute

The statutory receivables of the RSR comprises safety permit fees charged to the rail operators. The safety permit fees and penalties are charged to rail operators in terms of sections 23(2) of the National Railway Safety Regulator Act No of 16 2002 as amended.

### Determination of transaction amount

#### Safety permit fees

The Minister of Transport annually determines, in terms of section 23(2)(a), the fees that the RSR must charge for the safety permit. The safety permit fees are published for compliance and general information in the Government Gazette. The fees are determined for each category of operators.

#### Technology audits

The Minister of Transport may in terms of section 17(1)(bB) determine in consultation with Minister of Finance by notice in the Gazette, fees for providing services by the RSR. The legislation is currently under review and the RSR did not charge for technology audits during the year.

### Interest or other charges levied/charged

There was no interest charged on the statutory receivable arising from exchange receivable transactions at 31 March 2021 in line with the RSR Revenue and Receivable Policy.

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

In terms of the RSR's Revenue and Receivable Policy, an invoice is overdue when it is more than 30 days. The RSR assesses receivables for impairment based on the receivable age analysis.

### Reconciliation of provision for impairment

#### Relating specifically to statutory Receivables

Opening balance	-	148,600
Reversal of impairment	-	(148,600)
		-

### Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables

#### Other impairment losses recognised or reversed

The impairment losses for the current year were recognised, as the relevant debtors (ex-employees) currently unable to pay and their debts could not be written off because the recovery process have not yet been concluded to make the determination about the outstanding debts.

# Notes to the Financial Statements

Figures in Rand	2021	2020
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## Receivables past due but not impaired

### Relating specifically to statutory receivables

Statutory receivables which are less than 30 days past due are not considered to be impaired. At 31 March 2021, R604,412 (2020: R750,967) were past due but not impaired due to confirmation obtained for future payment.

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

Age		
31- 60 Days	13,517	637,261
61-90 Days	590,895	28,758
91-120 Days	-	42,594
Over 120 Days	-	42,354
	<b>604,412</b>	<b>750,967</b>

### Total trade and other receivables past due but not impaired

The RSR does not have collateral held against these amounts:

31-60 Days	13,515	637,261
61-90 Days	590,895	28,758
91-120 Days	327,648	42,594
Over 120 Days	58,706	169,297
	<b>990,764</b>	<b>877,910</b>

### Total trade and other receivables impaired

As on 31 March 2021, the trade and other receivables relating to receivables from exchange transactions were impaired and provided for. The amount of the provision was R468 300 as of 31 March 2021 (2020: R160 415). These amounts were impaired because they were overdue. The RSR does not have collateral held against these amounts.

Age		
Over 120 Days	468,300	160,415

### Reconciliation of provision for impairment of total trade and other receivables

Opening balance	160,415	283,850
Provision for impairment	348,685	160,415
Amounts written off as uncollectible	(9,600)	(80,250)
Reversal of impairment	(31,200)	(203,600)
	<b>468,300</b>	<b>160,415</b>

# Notes to the Financial Statements

Figures in Rand	2021	2020
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## 4. Receivables from non-exchange transactions

Trade debtors	800,000	4,270,000
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### Statutory receivables included in receivables from non-exchange transactions above are as follows:

Penalties	800,000	4,270,000
<b>Total receivables from non-exchange transactions</b>	<b>800,000</b>	<b>4,270,000</b>

### Statutory receivables general information

#### Transaction(s) arising from statute

The statutory receivables from non - exchange receivables arise from the charging of penalties by the RSR to the rail operators which contravened the provisions of the National Railway Safety Regulator Act No.16 of 2002 as amended. The fees are charged in terms of section 45A of the Act.

#### Determination of transaction amount

The penalties fees are charged in terms of section 45A of the National Railway Safety Regulator Act NO.16 of 2002 as amended and the penalty fee model developed in terms of the Penalty Fee Regulation of 2011. The penalty fees are approved by the Minister of Transport and published in the Government Gazette.

#### Interest or other charges levied/charged

There was no interest charged on the statutory receivable arising from the non - exchange receivable transactions at 31 March 2021.

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

In terms of the RSR's Revenue and Receivable Policy, an invoice is overdue when it is more than 30 days. The RSR assesses receivables for impairment based on the receivable age analysis.

#### Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2021 R0.00, (2020: R3 500 000) were past due but not impaired.

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

#### Age

Over 120 Days	-	3,500,000
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#### Factors the entity considered in assessing statutory receivables past due but not impaired

- The operator permits expiry dates.
- The financial status of the debtor.
- Payment agreement with the debtor.



# Notes to the Financial Statements

Figures in Rand	2021	2020
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## Statutory receivables impaired

As of 31 March 2021, no statutory receivables relating to receivables from non - exchange were impaired as payment was received after year end.

## Total trade and other receivables past due but not impaired

### Age

Over 120 Days	-	3,500,000
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The receivables were not pledged as security for any liabilities of the RSR.

## 5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,705	3,153
Bank balances	1,306,407	1,599,912
Short-term deposits	119,754,544	63,449,946
	<b>121,067,656</b>	<b>65,053,011</b>

## 6. Property, plant and equipment

	2021			2020		
	Cost / valuation	Accumulated depreciation and impairment losses	Carrying value	Cost/ valuation	Accumulated depreciation and impairment losses	Carrying value
Furniture and fixtures	6,246,039	(1,724,879)	4,521,160	6,213,048	(1,210,962)	5,002,086
Motor vehicles	6,394,133	(934,303)	5,459,830	4,819,864	(464,343)	4,355,521
Office equipment	4,272,967	(881,743)	3,391,224	3,136,195	(481,544)	2,654,651
IT equipment	7,407,234	(3,994,402)	3,412,832	7,940,861	(4,192,641)	3,748,220
Leasehold improvements	15,110,327	(2,314,507)	12,795,820	14,796,595	(535,968)	14,260,627
Leased assets	658,511	(639,612)	18,899	750,533	(689,913)	60,620
<b>Total</b>	<b>40,089,211</b>	<b>(10,489,446)</b>	<b>29,599,765</b>	<b>37,657,096</b>	<b>(7,575,371)</b>	<b>30,081,725</b>

# Notes to the Financial Statements

## Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Impairment loss(1)	Total
Furniture and fixtures	5,002,086	156,304	(39,927)	(340,250)	(257,053)	4,521,160
Motor vehicles	4,355,521	1,574,269	-	(469,960)	-	5,459,830
Office equipment	2,654,651	1,347,074	(155,835)	(445,494)	(9,172)	3,391,224
IT equipment	3,748,220	847,909	(120,144)	(1,063,153)	-	3,412,832
Leasehold improvements	14,260,627	313,732	-	(1,778,539)	-	12,795,820
Finance leases	60,620	-	(4,650)	(37,071)	-	18,899
	<b>30,081,725</b>	<b>4,239,288</b>	<b>(320,556)</b>	<b>(4,134,467)</b>	<b>(266,225)</b>	<b>29,599,765</b>

## Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	3,081,563	2,314,702	(136,554)	(257,625)	5,002,086
Motor vehicles	1,188	4,654,626	-	(300,293)	4,355,521
Office equipment	374,366	2,406,844	(3,727)	(122,832)	2,654,651
IT equipment	2,901,889	2,027,182	(152,842)	(1,028,009)	3,748,220
Leasehold improvements	3,863,036	14,796,595	-	(4,399,004)	14,260,627
Finance leases	111,155	-	(4,079)	(46,456)	60,620
	<b>10,333,197</b>	<b>26,199,949</b>	<b>(297,202)</b>	<b>(6,154,219)</b>	<b>30,081,725</b>

## Impairment loss

<sup>1</sup> The recoverable service amount was based on the fair value less costs to sell. The fair value less costs to sell was zero due to the fact that upon requesting quotations from potential buyers, there was no interest from buyers.

# Notes to the Financial Statements

Figures in Rand	2021	2020
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## 7. Intangible assets

	2021			2020		
	Cost / valuation	Accumulated amortisation and impairment losses	Carrying value	Cost/ valuation	Accumulated amortisation and impairment losses	Carrying value
Computer software, other	20,253,957	(18,665,192)	1,588,765	19,872,657	(17,363,491)	2,509,166

### Reconciliation of intangible assets - 2021

	Opening Balance	Additions	Amortisation	Total
Computer software, other	2,509,166	381,300	(1,301,701)	1,588,765

### Reconciliation of intangible assets - 2020

	Opening Balance	Additions	Disposals	Amortisation	Total
Computer software, other	3 242 786	502 596	(1)	(1 236 215)	2 509 166

## 8. Payables from exchange transactions

Trade payables	9,780,682	15,637,211
Revenue received in advance	7,508,500	7,803,196
Accrued leave pay	5,773,083	5,443,676
Other payables and accruals	12,898,754	13,271,406
Operating lease payables <sup>1</sup>	5,249,143	1,816,967
13th cheque accrual	222,284	217,744
	<b>41,432,446</b>	<b>44,190,200</b>

<sup>1</sup> This liability relates to smoothing of operating lease rentals in respect of the RSR offices. The operational leases for the year 2019/2020 was based on the four (4) months period which is the total months of occupation. The current year operating lease expense is based on the full 12 months.

# Notes to the Financial Statements

Figures in Rand	2021	2020
<b>Analysis of trade and other payables</b>		
0 to 30 Days	1,681,241	8,538,570
31 to 60 Days	-	928,781
61 to 90 Days	-	6,382
Over 90 Days	8,099,441	6,163,478
	<b>9,780,682</b>	<b>15,637,211</b>

## 9. Provisions

### Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus <sup>1</sup>	4,857,014	5,667,153	(4,857,014)	5,667,153
Surplus funds surrender <sup>2</sup>	-	49,644,848	-	49,644,848
Provisions for back pay <sup>3</sup>	590,504	-	(590,504)	-
	<b>5,447,518</b>	<b>55,312,001</b>	<b>(5,447,518)</b>	<b>55,312,001</b>

<sup>1</sup> Provision for performance bonus for the 2020/21 FY of which the exact amount is uncertain due to the outstanding moderation and final approval.

<sup>2</sup> Surplus funds for the 2020/21 FY to be surrendered to the Revenue Fund in terms of National Treasury Instruction No. 12 of 2020/2021.

<sup>3</sup> Back pay provision and payment.



# Notes to the Financial Statements

Figures in Rand	2021	2020
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## Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	6,826,513	4,857,014	(6,826,513)	4,857,014
Provisions for back pay	-	590,504	-	590,504
	<b>6,826,513</b>	<b>5,447,518</b>	<b>(6,826,513)</b>	<b>5,447,518</b>

## 10. Safety permit fees

Safety permit fees	170,623,281	164,445,366
Application fees	320,321	6,115,399
	<b>170,943,602</b>	<b>170,560,765</b>

## 11. Interest received

Interest earned on bank balance	5,005,329	8,160,496
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<sup>1</sup> The decrease in interest earned is attributed to a reduction in interest rate by the South African Reserve Bank and the fact that Transnet paid their permit fee later than the prior FY.

## 12. Other revenue

Bad debts recovered	-	75,540
Conference revenue	-	531,000
	-	<b>606,540</b>

## 13. Employee related costs

Salaries	75,493,490	69,992,412
Performance bonus	7,306,495	5,728,280
Medical aid - company contributions	6,646,212	6,186,009
Unemployment insurance fund	537,119	529,565
Union fees	105,014	97,765
Leave pay accrual	329,407	417,106
Pension fund	13,395,494	13,118,766
Salaries leave paid	265,936	888,698
13th cheque	519,273	552,091
Acting allowances	659,517	916,917
South African Revenue Service	37,615,102	35,538,884
	<b>142,873,059</b>	<b>133,966,493</b>

# Notes to the Financial Statements

Figures in Rand	2021	2020
<b>14. Debt impairment</b>		
Allowance for impairment	307,885	(43,081)
Bad debts written-off	296,015	1,881,957
	<b>603,900</b>	<b>1,838,876</b>

## 15. General expenses

External audit fees	2,125,159	3,392,554
Railway safety outreach and awareness	3,379,283	1,606,619
Bank charges	77,409	85,453
Cleaning	1,876,067	471,913
Computer expenses	1,997,132	2,068,352
External bursaries	1,245,029	-
Postage and couriers	28,904	81,967
Catering-refreshments	151,111	509,508
Gifts	130,695	128,586
Insurance	847,098	572,108
Conferences and seminars	252,480	2,867,515
Placement fees	936,211	1,305,476
Printing and stationery	55,906	324,765
Protective clothing	-	187,766
Repairs and maintenance	613,083	344,456
Subscriptions and membership fees	577,774	534,419
Telephone and data	2,237,571	2,963,671
Training	818,934	1,468,652
Travel - local	900,818	5,041,171
Travel - International	3,901	1,399,537
Municipal services	4,603,828	2,963,543
Lease payment vehicle	-	284,549
Equipment rentals	27,600	1,150,000
Corporate stationery	482,553	408,253
Office rental and services	14,991,276	11,356,705
Workmens compensation	105,023	189,206
Library & literature	215,166	59,167
Non - Executive Directors Remuneration	2,519,063	2,481,650
Consulting and professional fees	16,881,561	13,421,391
Relocation cost	6,813	1,219,144
	<b>58,087,448</b>	<b>58,888,096</b>

# Notes to the Financial Statements

Figures in Rand	2021	2020
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## 16. Cash generated from operations

Surplus	2,613,294	41,453,052
<b>Adjustments for:</b>		
Depreciation and amortisation	5,702,393	7,390,432
Loss on sale of assets	320,556	297,203
Proceeds from sale of assets	(68,888)	(245,131)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	4,892,261	(5,144,940)
Payables from exchange transactions	47,106,727	343,603
	<b>60,566,343</b>	<b>44,094,219</b>

## 17. Commitments

### Approved and contracted for

#### Capital commitments

• Property, plant and equipment	1,924,601	3,479,125
• Intangible assets	4,505,744	-
	<b>6,430,345</b>	<b>3,479,125</b>

#### Operational Commitments

• General expenditure	192,318,770	198,071,846
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#### Total commitments approved and contracted for

Capital expenditure	6,430,345	3,479,125
General expenditure	192,318,770	198,071,846
	<b>198,749,115</b>	<b>201,550,971</b>

#### Approved not contracted for

Operational expenditure	3,448,818	-
	<b>3,448,818</b>	-

The RSR will utilise its own resources to fund the commitments for the 2020/21 FY through available cash resources at year-end and the approved budget for the 2021/22 FY.

# Notes to the Financial Statements

Figures in Rand	2021	2020
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
<b>Within one year</b>		
Building 2 -Central Office	2,512,203	2,347,853
Building 4 Head Office	7,436,873	6,950,348
Building Eastern Region	827,151	773,038
Building Coastal Region	1,396,595	1,293,144
<b>In second Year to fifth year</b>		
Building 2 Central Office	11,934,820	11,154,037
Building 4 Head office	35,330,642	33,019,291
Building Eastern Region	2,492,184	3,319,335
Building Coastal Region	3,983,133	5,379,729
<b>In sixth to tenth year</b>		
Building 2 Central Office	14,139,690	17,432,676
Building 4 Head Office	40,775,885	50,524,108
	<b>120,829,176</b>	<b>132,193,559</b>



# Notes to the Financial Statements

Figures in Rand

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## 18. Contingencies

### 1. Termination of employee contract

**1.1.** Following the termination of the contract of employment of a former employee, the party referred the dispute to the CCMA for unfair dismissal and requested reinstatement. The CCMA has finalised the matter in favour of the RSR. The party has referred the matter to the Labour Court. In the unlikely event that the employee is successful, a possible award is estimated at three months salary amounting to R412 970.

**1.2.** Following the dismissal of an employee through a disciplinary hearing, the employee reported the matter to the CCMA for unfair dismissal. The matter is still ongoing at the Labour Court. In the event the Court rules in the favour of the employee, the RSR is likely to be ordered to compensate approximately six months salary equivalent to about R700 000

### 2. Job grading

Various matters relating to the implementation of job grading was heard at the CCMA and were not in favour of a retrospective payment relating to the implementation of a regrading process. One of these cases was submitted to the Labour Court which may confirm a liability. The estimated possible award amounts to R327 505 based on salary grading differences up to a maximum of 17 months.

### 3. Full Facilities Management vs RSR

In June 2018, the RSR terminated the contract for facilities management following a forensic audit. The matter has proceeded to arbitration and parties have exchanged pleadings. The RSR has approached the High Court to set aside the agreement. An obligation will only be confirmed through the arbitration or High Court ruling. The RSR may be exposed to a possible obligation yet to be confirmed in the amount of R23 million as the claim against the RSR amounts to R31 million and the RSR's intention to recover fruitless and wasteful expenditure amounting to R8 million.

### 4. Section 189

An employee is challenging the lawfulness of the Section 189 process following his retrenchment. Although the RSR

has good prospects of success, the matter is currently at the Labour Court to confirm whether there is a liability. The possible liability is estimated at 12 months salary amounting to R899 350.

### 5. Unfair labour practice

Industrial leave claim by employees against the RSR. A complaint from UNTU regarding the removal of industrial leave, was presented to the RSR Board. The Board resolved to reinstate the industrial leave prospectively. The resolution of the Board was communicated to UNTU which expressed its disagreement with the fact that reinstatement is prospective instead of retrospective. The matter was referred to the CCMA for unfair labour practice. Should the CCMA rule in favour of the employees, the RSR will be compelled to provide for leave liability for three industrial leave days for December 2020 which amount to a total of 441 days. The estimated amount based on 147 employees amounts to R1.4 million.

### 6. Application for retention of surplus funds

Section 53(3) of the PFMA, requires a public entity which must submit a budget in terms of section 53(1) of the PFMA, not to budget for a deficit and not to accumulate surpluses unless the prior written approval of the National Treasury has been obtained. Public entities listed in Schedule 3A and 3C to the PFMA may not accumulate surpluses that were realised in the previous financial year without obtaining prior written approval of the relevant Treasury. The Railway Safety Regulator is a Schedule 3A public entity and has declared surplus funds to the amount of R75.7 million on 31 March 2021 in terms of National Treasury Instruction No.12 of 2020/21. Of the R75.7 million, R49.6 million has been recorded as a provision in the Statement of Financial Position for the year ended 31 March 2021. The remaining balance of R26.1 million is disclosed as a contingent liability as the RSR will apply to the National Treasury to retain these funds to be able to fund its commitments on 31 March 2021. The surplus funds of R26.1 million is disclosed as a contingent liability as it is subject to the National Treasury's approval which is expected to be obtained during the period from August to November 2021.

# Notes to the Financial Statements

## 19. Related parties

### Relationships

Executive authority	Honourable Minister of Transport: Mr F Mbalula (MP)
Controlling entity	National Department of Transport
Related entities	Entities reporting to the Department of Transport
Members of key management	Ms T Kgare - Acting Chief Executive Officer Mr A Tjatji - Acting Chief Financial Officer Mr M Selaledi - Acting Chief Operations Officer Mr K Madlwabinga - Executive: Human Resources Ms M Williams - Executive: Media and Communications Ms M Kekana - Chief Audit Executive Mr MF Kgomari - Acting Executive: Risk and Strategy

Figures in Rand	2021	2020
<b>Related party transactions and balances</b>		
<b>National Department of Transport (Controlling entity)</b>		
Administration grant	82,045,000	63,522,000
<b>Amounts included in revenue relating to PRASA (Related entity)</b>		
Permit fees	32,792,737	31,360,950
<b>Amounts included in Trade receivables relating to PRASA</b>		
Conference income	-	20,000
Penalty fees	-	3,500,000

# Acting Notes to the Financial Statements

## Key management information

### Remuneration of management

#### Management class: Executive management

2021

Name	Basic salary	Medical aid and pension	Performance bonus	Total
Ms T Kgare - Acting Chief Executive Officer <sup>1</sup>	2,831,604	85,704	356,235	3,273,543
Mr K Madlwabinga - Executive: Human Resources	1,470,786	145,010	139,011	1,754,807
Mr R Gouws - Chief Financial Officer <sup>2</sup>	1,541,854	194,873	175,519	1,912,246
Ms M Williams - Executive: Media and Communications	1,614,432	-	139,011	1,753,443
Ms M Tabane - Executive: Legal Services and Board Governance <sup>3</sup>	815,529	112,122	-	927,651
Mr A Tjatji - Acting Chief Financial Officer <sup>4</sup>	1,195,350	206,284	119,506	1,521,140
Mr F Kgomari - Acting Executive: Risk and Strategy	1,998,949	118,080	171,313	2,288,342
Ms M Kekana - Executive: Chief Audit	1,242,945	438,308	-	1,681,253
Mr M Selaledi - Acting Chief Operations Officer <sup>5</sup>	1,854,632	86,448	242,550	2,183,630
	<b>14,566,081</b>	<b>1,386,829</b>	<b>1,343,145</b>	<b>17,296,055</b>

<sup>1</sup>Acting CEO from 30 November 2017 to 20 April 2021.

<sup>2</sup>Resigned on 31 January 2021.

<sup>3</sup>Appointed on 1 August 2020. Probation terminated 31 January 2021.

<sup>4</sup>Acting since 1 February 2021.

<sup>5</sup>Acting COO until 20 April 2021 and Acting CEO from 21 April 2021.

# Notes to the Financial Statements

## 2020

Name	Basic salary	Medical aid and pension	Performance bonus	Other allowances	Total
Mr N A Poya - Chief Executive Officer <sup>1</sup>	661 759	12 944	-	-	674 703
Ms T Kgare - Acting Chief Executive Officer	2 663 056	83 169	335 266	22 081	3 103 572
Mr J Nethathe - Acting Chief Operations Officer <sup>2</sup>	1 548 237	-	105 297	3 836	1 657 370
Mr K Madlwabinga - Executive: Human Resources <sup>3</sup>	1 126 805	264 905	120 697	-	1 512 407
Mr R Gouws - Chief Financial Officer	1 559 142	214 971	165 188	120	1 939 421
Ms M Williams - Executive: Media and Communications <sup>4</sup>	1 409 030	-	122 084	-	1 531 114
Ms Z Camroodien - Executive: Legal Services <sup>5</sup>	589,011	99 592	92 606	-	781 209
Ms RS Huntley: Executive: Organisational Intelligence and Planning <sup>6</sup>	97 334	26 667	-	-	124 001
Mr H Murovhi - Company Secretary <sup>7</sup>	753 754	28 990	167 070	-	949 814
Mr F Kgomari - Acting Chief Operations Officer <sup>8</sup>	1 692 475	115 206	145 700	-	1 953 381
Ms M Kekana -Chief Audit Executive <sup>9</sup>	1 253 367	413 297	118 089	-	1 784 753
Mr B Bruwer - Executive Office of the CEO <sup>10</sup>	1,288,055	-	142,010	-	1,430,065
Mr M Selaledi - Executive Risk and Strategy <sup>11</sup>	1,567,210	68,672	212,994	-	1,848,876
	<b>16,209,235</b>	<b>1,328,413</b>	<b>1,727,001</b>	<b>26,037</b>	<b>19,290,686</b>

<sup>1</sup> Resigned 06 June 2019.

<sup>2</sup> Appointed Acting Chief Operations Officer from 17 September 2018 to 31 May 2019.

<sup>3</sup> Appointed 18 May 2019.

<sup>4</sup> Appointed 1 April 2019.

<sup>5</sup> Resigned 15 September 2019.

<sup>6</sup> Dismissed.

<sup>7</sup> Resigned 14 August 2019.

<sup>8</sup> Appointed as Acting Chief Operations Officer.

<sup>9</sup> Appointed 5 July 2019.

<sup>10</sup> Resigned 30 November 2019.

<sup>11</sup> Appointed 5 July 2019.

# Notes to the Financial Statements

## 20. Related parties - Board members

### Board and committee members

2021

Name	Members' fees	Allowances	Expenses	Total
Dr N Zethu Qunta (Chairperson) <sup>4</sup>	142,430	1,850	-	144,280
Mr BJ Nobunga ( Chairperson) <sup>6</sup>	103,744	10,700	17,515	131,959
Adv FJ Van Der Westhuizen <sup>5</sup>	66,780	8,200	-	74,980
Mr SL Mtwā <sup>5</sup>	110,995	9,700	-	120,695
Mr A Harrison <sup>4</sup>	66,339	1,100	-	67,439
Adv JC Weapond <sup>5</sup>	87,905	9,700	126	97,731
Ms N Khumalo <sup>5</sup>	106,362	9,700	228	116,290
Mr R Dlamini <sup>4</sup>	58,765	1,100	-	59,865
Ms DP Mathibedi <sup>5</sup>	125,113	9,700	-	134,813
Ms N Mbiza <sup>4</sup>	105,149	1,100	-	106,249
Ms NS Ekeke <sup>5</sup>	96,137	9,700	185	106,022
Ms HT Thopola <sup>4</sup>	76,152	1,100	-	77,252
Major General W Venter <sup>4</sup>	59,401	1,100	-	60,501
Mr JD de Villiers <sup>1</sup>	-	-	-	-
Mr T Szana <sup>2</sup>	-	-	-	-
Major General MM Motlhalā <sup>3</sup>	-	-	-	-
Ms Y Pamla <sup>5</sup>	135,466	9,700	569	145,735
Mr CJ De Vos <sup>7</sup>	77,676	2,600	-	80,276
Ms S Nwabueze <sup>5</sup>	96,138	9,700	382	106,220
	<b>1,514,552</b>	<b>96,750</b>	<b>19,005</b>	<b>1,630,307</b>

<sup>1</sup>Delegate from the National Department of Transport - not remunerated.

<sup>2</sup>Delegated from the National Department of Labour - not remunerated.

<sup>3</sup>Delegated from South African Police Services - not remunerated.

<sup>4</sup>Contract term expired.

<sup>5</sup>New members appointed on the 05 August 2021.

<sup>6</sup>Appointed as Chairperson.

<sup>7</sup>Reinstated on 10 March.



# Notes to the Financial Statements

## 2020

	Members' fees	Allowances	Expenses	Total
Dr N Zethu Qunta(Chairperson)	340,904	8,400	16,365	365,669
Mr BJ Nobunga	109,804	5,650	31,774	147,228
Mr CJ de Vos	248,427	5,650	21,046	275,123
Mr A Harrison	220,761	5,650	7,231	233,642
Mr JD de Villiers <sup>1</sup>	-	-	-	-
Major General M Motlhalo <sup>3</sup>	-	-	-	-
Mr Z Mosothoane	128,853	5,400	-	134,253
Ms N Mbiza	245,295	5,650	25,458	276,403
Mr J Mazibuko <sup>4</sup>	-	-	-	-
Ms HT Thopola	183,234	5,650	21,041	209,925
Major General W Venter	232,133	5,650	69,165	306,948
Mr T Szana <sup>2</sup>	-	-	-	-
	<b>1,709,411</b>	<b>47,700</b>	<b>192,080</b>	<b>1,949,191</b>

<sup>1</sup>Delegate from the National Department of Transport - not remunerated.

<sup>2</sup>Delegated from the National Department of Labour - not remunerated.

<sup>3</sup>Delegated from South African Police Services - not remunerated.

<sup>4</sup>Resigned.

## Audit and Risk Committee

### 2021

	Members' fees	Allowances	Total
Ms M Mbonambi(Independent member) <sup>1</sup>	243,999	750	244,749
Dr P Dala (Independent member)	325,344	1,150	326,494
Ms MM Phiri (Independent member) <sup>1</sup>	316,762	750	317,512
	<b>886,105</b>	<b>2,650</b>	<b>888,755</b>

<sup>1</sup>New appointment 1 May 2020.

### 2020

	Members' fees	Allowances	Expenses	Total
Dr. P Dala (Independent Member) <sup>1</sup>	332,132	2,875	2,275	337,282
Mr. S Simelane (Independent Member) <sup>2</sup>	229,334	3,250	-	232,584
	<b>561,466</b>	<b>6,125</b>	<b>2,275</b>	<b>569,866</b>

<sup>1</sup>New appointment during the year.

<sup>2</sup>Resigned.

# Notes to the Financial Statements

## 21. Risk management

### Financial risk management

The RSR manages its net assets to ensure that it will be able to continue as a going concern, while meeting its overall objectives. Funding is obtained primarily from grants and the administration of permit fees. The strategy is consistent with that applied in prior years.

From its use of financial instruments, the RSR has exposure to the following risks:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the RSR's exposure to each of the above risks. Further quantitative disclosures are included throughout these financial statements. The Board has the overall responsibility for the establishment and oversight of the RSR's risk management framework. The Board has established the Audit and Risk Committee which is responsible for the oversight on the development and monitoring of the RSR's risk management policies.

The RSR's risk management policies are established to identify and analyse the risks faced by the RSR to set appropriate risk limits and controls and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the RSR's activities. The RSR through its training and management standards and procedures aims to develop a disciplined and effective control environment in which all employees understand their roles and obligations. The Audit and Risk Committee oversees how management monitors compliance with RSR's risk policies and procedures, and review the adequacy of the risk management framework in relation to the risk faced by the RSR. The Audit and Risk Committee is assisted in its oversight role by the Internal Audit. The Internal Audit undertakes both regular and adhoc financial reviews of controls in place to mitigate the risks which are reported to the Audit and Risk Committee.

Debtors are assessed at year end for recoverability and the necessary provision for write off will be raised if deemed material.

The RSR's financial instruments consist mainly of cash and cash equivalents, receivable and payables. Bank deposits and balances, receivables and payables approximate their fair values due to the short term nature of these instruments. The fair values together with the carrying amounts have been determined by using available market information and are presented in the statement of financial position.

### Liquidity risk

Liquidity risk is the risk that the RSR will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk is considered low as the current assets exceeded current liabilities at 31 March 2021. The total current assets reported in the statement of financial position has already taken account of the provision for credit losses. Furthermore, all the open order commitments of the RSR at 31 March 2021 were fully funded. Management monitors rolling forecast of the RSR's cash and cash equivalents on the basis of the expected cash flows. The RSR engages with the rail operators on a continuous basis to ensure that it has the cash flows to meet the expected payments as they fall due.

The table below analyses the RSR's financial liabilities into 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.

# Notes to the Financial Statements

Maturity groupings	Later than one month	Later than one month and no later than three months	Later than three month and no later than one year	Later than one year and no later than five years	Total
Trade payables	-	1,681,241	-	8,099,441	9,780,682
Revenue received in advance	-	-	-	7,508,500	7,508,500
Accrued leave pay	-	5,773,083	-	-	5,773,083
Other payables and accruals	-	603,012	-	12,295,742	12,898,754
Operating lease payables	-	-	-	5,249,143	5,249,143
13th cheque accrual	-	-	222,284	-	222,284
	-	<b>8,057,336</b>	<b>222,284</b>	<b>33,152,826</b>	<b>41,432,446</b>

## Credit risk

The risk that a counterparty will not meet its obligations under financial instruments, leading to a financial loss. The RSR is exposed to credit risk from its operating activities, primarily for receivables. The RSR's maximum exposure to credit risk as at 31 March 2021 was R7 044 042 (2020: R11 936 303).

Potential concentration of credit risk consist mainly of cash and cash equivalents and receivables. Financial institutions with an acceptable independent rating are accepted. The carrying amount of the receivables are recorded at net of impairment allowances which represents the RSR's maximum exposure to credit risk.

At 31 March 2021, the RSR did not consider there to be any significant concentration of credit risk which had not been adequately provided for.

## Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the RSR's income or the value of its holdings of financial instruments. The objectives of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return. The RSR is then exposed to one primary type of market risk namely, interest risk.

## Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rate. The RSR's exposure to the risk of changes in market rates is limited to cash and cash equivalents that have floating interest rates which may fluctuate during a financial year. The sensitivity of the finance income to these changes are deemed negligible.

## Cash and cash equivalent

The RSR only deposits cash with major banks with high quality credit standing. The RSR, therefore, does not consider there to be any significant exposure to credit risk.

The RSR utilised ABSA for daily transactions which has a Ba1 rating as well as the South African Reserve Bank for investment purposes.

# Notes to the Financial Statements

Figures in Rand	2021	2020
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## Financial assets and Liabilities

The RSR's principle financial assets are accounts receivables and cash and cash equivalents. At 31 March 2021, the carrying amounts of cash, accounts receivables and accounts payables at amortised cost approximate their fair values, due to the short term maturities of these assets and liabilities. Management has assessed the impact of COVID-19 on outstanding balances and no further risks were identified. The available cash balances at year-end and collection rate after year-end to meet future obligations were assessed and no material risks has been identified. The net fair value of the assets and liabilities of the RSR are stated below:

The management has assessed the impact of COVID-19 on outstanding balances and no further risks were indentified. The collection rates after year-end and available cash balance at year-end to meet further obligations were assessed and no material risk has been identified.

### Assets

Receivables	7,044,042	11,936,303
Cash and cash equivalents	121,067,656	65,053,011
	<b>128,111,698</b>	<b>76,989,314</b>

### Liabilities

Payables from exchange transactions	41,432,446	44,190,200
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No financial instrument is carried at an amount in excess of its fair value.

## 22. Going concern

The 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. Management has assessed the RSR's ability to continue as a going concern, including the effect of COVID-19 and no material uncertainties were identified.

# Notes to the Financial Statements

Figures in Rand	2021	2020
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## 23. Events after the reporting date

No adjusting or non - adjusting events were identified after reporting date.

## 24. Fruitless and wasteful expenditure

Opening balance as previously reported	8,730,716	8,724,382
<b>Opening balance as restated</b>	<b>8,730,716</b>	<b>8,724,382</b>
Add: Expenditure identified-current	-	61,789
Less: Amounts recoverable-prior period	(348,726)	-
Less: Amount written off-current	(61,789)	(55,455)
<b>Closing balance</b>	<b>8,320,201</b>	<b>8,730,716</b>

### Fruitless and wasteful expenditure breakdown

Recovery of expenditure incurred from the purchase of goods that were never delivered	195,405	-
Write off of expenditure incurred for flight bookings which were subsequently cancelled	61,789	-
Recovery of expenditure incurred on legal opinions by the former CEO	153,321	-
	<b>410,515</b>	<b>-</b>

## 25. Irregular expenditure

Opening balance as previously reported	3,073,517	13,286,992
Add: Irregular expenditure identified in the current year, relating to prior year	556,667	413,896
<b>Opening balance as restated</b>	<b>3,630,184</b>	<b>13,700,888</b>
Less :Amounts condoned	(2,596,558)	(12,191,329)
Add: Irregular Expenditure identified in the current year	-	1,578,846
Less: Amounts recovered	(464,379)	(14,888)
Less: Amount written off - current	(12,580)	-
<b>Closing balance</b>	<b>556,667</b>	<b>3,073,517</b>

### Details of irregular expenditure - prior year

Irregular expenditure relating to variation on Legal Services <sup>1</sup>	556,667
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# Notes to the Financial Statements

Figures in Rand	2021	2020
<b>Details of irregular expenditure - current year</b>		
Irregular expenditure relating to human factor <sup>2</sup>		240,000
Irregular expenditure relating to local content <sup>2</sup>		100,345
Irregular expenditure relating to catering services <sup>2</sup>		14,060
Irregular expenditure relating to forensic services <sup>2</sup>		24,000
Irregular expenditure relating to deviation for legal services <sup>2</sup>		560,838
Irregular expenditure relating to contract expansion for risk assessment <sup>2</sup>		423,337
Irregular expenditure relating to advertising services <sup>2</sup>		36,207
Irregular expenditure relating to local content <sup>2</sup>		108,000
Irregular expenditure relating to variation on recruitment services <sup>2</sup>		139,150
Irregular expenditure relating to recruitment services <sup>2</sup>		259,716
Irregular expenditure relating to accommodation procedures <sup>2</sup>		138,200
Irregular expenditure relating to legal services <sup>2</sup>		552,705
		<b>2,596,558</b>
<b>Receivable for recovery</b>		
Irregular expenditure relating to entertainment <sup>3</sup>		134,206
Irregular expenditure relating to car allowances <sup>3</sup>		250,000
Irregular expenditure relating to legal services <sup>3</sup>		68,791
Irregular expenditure relating to not obtaining three quotations <sup>3</sup>		11,382
		<b>464,379</b>
<b>Written-off</b>		
Irregular expenditure relating to not obtaining three quotations <sup>4</sup>		12,580

<sup>1</sup>To be investigated.

<sup>2</sup>Condoned by National treasury.

<sup>3</sup>Receivable raised for recovery.

<sup>4</sup>Written-off by Loss control.

# Notes to the Financial Statements

Figures in Rand	2021	2020
<b>26. Consulting and professional fees</b>		
Internal audit	92,460	827,572
Business consultancy	6,640,319	1,768,064
Risk management	684,872	112,184
Research	-	739,997
Board support	150,971	41,847
ICT Support and improvement	5,280,085	1,232,806
Security system	496,240	130,912
HR training and development	881,170	551,568
Finance support	48,344	132,937
Legal fees	2,607,100	7,843,295
Forensic audit	-	40,208
	<b>16,881,561</b>	<b>13,421,390</b>

# Notes to the Financial Statements

## 27. Budget differences

### Revenue movements

- **Safety permit: application fees - R320 321**

The actual revenue generated from application fees resulted from new applications which were not budgeted for. No application fees were expected/budgeted this year since the introduction of the new permit life cycle being three(3) and five (5) years. Application fees were charged based on the approved permit fee determination.

- **Safety permit fee - R 13 771 583**

At the beginning of the financial year, the permit fees were adjusted down by R14.8 million in anticipation for revenue losses due to the COVID-19 lockdown restrictions. During the financial year, the RSR has received almost all the permit fees as originally budgeted for and this has resulted in more revenue generated compared to the adjusted budget.

- **Interest received - R947 593**

The RSR deposits its surplus funds with the Corporation of Public Funds (CPD). More interest was generated compared to what was budget due to slow spending during the 2020/21 financial year as a result of COVID 19 lockdown restrictions and long outstanding disputed payments.

- **Penalties - R800 000**

Penalties were imposed on Transnet SOC for the contraventions in respect of Old Coronation Witbank, Olifanttrivier level crossing and Chieveley level crossing. It should be noted that RSR does not budget for variable revenue hence the difference.

- **Other income from non exchange transaction -R1 051 567**

The RSR does not budget for variable income. This type of income is not budgeted for since there is not certainty that it will be received. Therefore, the RSR does not want to increase its budget for revenue that may not be collected. The R1 million includes the insurance proceeds for loss assets, sale of unused, old assets, debt arising from irregular expenditure incurred by current and former RSR employees.

- **Administration Grant - R2 528 000**

The RSR has requested additional funds from the DoT in anticipation of permit fee losses due to the COVID-19 lockdown restrictions. The DoT has allocated an amount of R15 million to the RSR which was received in installments. The RSR has only adjusted the budget by R12.5 million as it was not certain that the last installment of R2.5 million would be received. The last installment of R2.5 million was received at the end of March 2021 and the RSR did not adjust its revenue budget hence the difference of R2.5 million between the budget and actual received.

## Expenditure movements

- **Depreciation and amortisation - R5 702 393**

The RSR does not budget for non-cash items.

- **Transfer payments: Surplus - R49 644 848**

This amount was not budgeted for. It represents the provision for surrendering of surplus funds to the Revenue Fund in terms of National Treasury Instruction No.12 of 2020/21.

- **Consulting and professional fees - R17 520 361**

This variance is as a result of planned expenditure not incurred before year-end. During the year slow spending resulted in goods and services not being delivered on time. The significant amount of this variance represents commitments at year-end.

- **Office rental - R2 646 005**

This variance resulted from the recognition of the operating lease liability in respect of the new RSR regional offices which is a non-cash item not budgeted for.

- **Debt impairment - R603 900**

The RSR does not budget for bad debts and debt impairment.

- **General expenses - R26 723 658**

This variance is as a result of planned for expenditure not invoiced by year-end. Due to under expenditure or purchase orders that were not issued, however services have not been delivered by year-end. A portion of this amount represents commitments at year-end.

- **Capital expenditure - R9 108 313**

The total budget was R13.7 million and R4.6 million was incurred, resulting in a variance of R9.1 million. The significant amount of this variance represents commitments at year-end.







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